

Recommendation for NENG to become a Charitable Incorporated Organisation (CIO)

Following a recommendation from NENG's auditor, the Management Committee agreed that NENG should change status to become a CIO.

Why change ?

At present, NENG is a Registered Charity (reporting to the Charity Commission) and also a Company Limited by Guarantee (reporting to Companies House). The "limited by guarantee" means that should (heaven forbid) NENG become bankrupt, then the maximum liability of members is a notional £1 each. Over the years, and especially recently, the reporting arrangements for Companies House have become increasingly onerous and complicated, with the objective of countering money laundering and fraud. Whilst this is appropriate for large companies, it is a sledgehammer to crack a nut for a charity with an average turnover of £25-30,000. In addition, the duties and responsibilities of a company director are much more taxing than those of a charity trustee, so it is getting harder to persuade members to take on both roles.

As the accounts are subject to external audit using Companies House regulations, the audit cost of £700+ each year is becoming a significant factor.

Benefits of becoming a CIO

Key benefits are:-

- Members of a CIO may either have no liability at all or (like a company), limited liability for its debts
- Unlike companies, CIOs do not have to register with Companies House
- Unlike companies, CIOs will not be fined for administrative errors like late filing of accounts
- CIOs must produce accounts under charity law, not company law. This allows smaller CIOs (income below £250,000) to produce simpler receipts and payments accounts

Next steps

The decision to convert to a CIO requires members to pass two resolutions:-

- the first on the decision to convert to a CIO and
- the second on the decision to adopt the proposed constitution of the CIO

This can be done at a general meeting, with 75% of members present in agreement. It is rather unlikely that a quorum of members would attend a special meeting to discuss what is all rather technical. So, there will be an "Annual General and Special Meeting", which will have the usual AGM format and then followed by consideration of the two resolutions mentioned above (and then followed by a light-hearted quiz about Nether Edge). The date for this meeting is

Tuesday 30th June in Room 1, Shirley House, Psalter Lane, starting at 7pm

A detailed agenda and link to the draft Constitution on the NENG website will be in a future edition of EDGE. The constitution follows a model drawn up by Charity Commission lawyers, and any proposals to deviate from the model require an explanation. It is not proposed to have any changes from that model.

After that meeting, an application to change status will be presented to the Charity Commission, and if successful, registration with Companies House would automatically cease.

There is rather a lot to take in here, so if you would like more information, please contact me (contact details in inside cover).