

Assessment of converting to a registered charity

Current situation

Cycle Winchester is an Unincorporated Association. We are governed by a constitution, and we have exclusively charitable aims, but the word ‘unincorporated’ indicates we are not registered with any authority (eg HMRC or Charity Commission) that could give us a registration number, and hence we are not able to demonstrate non-profit status.

As the association has no legal status, the officers of an unincorporated association are individually liable for debts and contractual obligations.



Benefits of registering as a Charitable Incorporated Organisation (CIO)

Charity Trustees are protected from personal liability as long as they act honestly and within the law.

Charities can access additional grant funding opportunities.

Charities are not liable for Corporation Tax on trading income. As a UA we would become liable if trading income exceeded approx £500.

We could recover gift aid on donations (though memberships may not qualify as donations, and the overhead of registering gift aid might make this nugatory).

Software and technology free or discounted:

- Google Workspace (free)
- Google Ad Grants (free £7,000/month)
- Microsoft 365 (free basic, discounted pro)
- Adobe Creative Cloud (discounted)
- Zoom Pro (50% discount)

Broader choice of bank accounts:

- Barclays (free, charities only)
- Lloyds (free for charities, £4.25/month UA)
- Coop (free, charities only)
- Metrobank (£3/month for charities & UAs)
- CAF Bank (charities only)
- Virgin Money (charities only)
- Reliance (charities only)
- etc.

Easy access to card payment services eg SumUp. For an unincorporated association, payments may only be taken as an individual seller or sole trader.

Lower fees for payment handling:

- Stripe: 1.5% + 20p reduced to 1.2% + 20p
- PayPal: 2.9% + 30p reduced to 1.4% + 20p
- SumUp: 1.69% reduced to 1.49%

What type of charity?

A charity can have one of four legal structures:

- **Trust**
- **Unincorporated association**
- **Company limited by guarantee**
- **Charitable Incorporated Organisation (CIO)**

For our purposes only the last two would work. The company model means a *lot* of extra overhead, admin and expense, so we're suggesting we become a CIO.

The constitution of a CIO can have one of two forms:

- **Foundation** (only the trustees get a vote) or
- **Association** (trustees and a wider membership get a vote)

In either case the constitution defines more exactly what this means.

We're suggesting an **Association** CIO.



What steps are required to become a CIO

CIO is the least burdensome charity structure. It is registered only with the Charity Commission, and has no minimum income level.

The steps in transition are:

- Consult with the members to get “buy-in”.
- Draft the CIO Constitution: We must use the Charity Commission’s Model Association Constitution, but we can copy across our existing charitable aims, and any other specifics.
- Appoint the first trustees.
- Apply to the Charity Commission for registration. Typically 4-8 weeks.
- Hold a General Meeting to transfer assets, liabilities and members to the new CIO, and to dissolve the old UA.
- Establish a bank account for the CIO and transfer funds (Metrobank says we may be able to streamline by keeping the same account but changing details).
- Prepare final accounts for the old org showing zero balance.



What are the ongoing responsibilities as a CIO

A CIO is obliged to make three submissions annually to the Commission:

- The Annual Return: An online form where we confirm the charity's details (address, trustees, etc.) and provide basic financial figures.
- The Trustees' Annual Report (TAR): Similar to our current Chair's report. A written document explaining what the charity has achieved over the year. It must include a "Public Benefit Statement" confirming we've followed the Commission's guidance.
- The Accounts: For income < £250,000 we can use simple "Receipts and Payments" accounting, as we already do.

There is no requirement for external scrutiny of the accounts if income is less than £25,000.

- We must keep the Commission updated with any changes of Trustees, Contact Details, and Governing Document.
- We are required to maintain a register of Trustees and of Members
- We are obliged to report to the Commission any "Serious Incident" (e.g., a large fraud, a major safeguarding lapse, or a massive data breach)

In the event we wish to close down the CIO, there must be:

- Formal decision of the Trustees
- Formal approval by the members
- Distribution of any remaining assets to a charity with similar charitable aims
- Application for closure to the Commission.

“But won’t it stop us being able to campaign?”

Nope. That’s a myth.

‘Charities can take part in political activity that supports their purpose and is in their best interests.

There may be situations where carrying out political activity is the best way for trustees to support their charity’s purpose. However, political activity must not become the reason for the charity’s existence.

Charities must remain independent and must not give their support to a political party.

Some charities have a power in their governing document explaining how they can take part in political activity. You do not need a specific power but it can help if political activity is a key part of your work, for example for certain human rights charities.’

‘Working with politicians:

Charities can support a policy that is supported by a political party or candidate.

You can work with political parties or candidates to influence their decisions, provided this supports your charity’s purpose and your charity remains independent.

Remain independent by:

- *asking political figures you engage with not to promote party political messages at your events or premises*
- *seeking to engage equally with all major political parties.’*

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/266666