



## **Introduction and guide to the**

### **Change in status of the VHM to a Charitable Incorporated Organisation (CIO)**

#### **Introduction**

The Village Hall charity currently operates as a rather outdated entity created, rather unusually, by a property conveyance in February 1962. In legal terms the Village Hall is an “unincorporated entity” and there are issues with this as a vehicle through which to operate a village hall, particularly when it is the intention to build a new village hall.

The Trustees of the Village Hall are in the process of converting the current unincorporated entity to a modern legal structure known as a Charitable Incorporated Organisation (CIO). The reasons for this are set out below along with a summary of what those changes mean.

In converting to a CIO, the intention is to follow generally the style and approach of the current constitution in the 1962 conveyance (eg with “responsibility/ownership” being held by a number of user groups plus the PC and PCC), but modernising the way it operates.

#### **What is a CIO?**

The Charitable Incorporated Organisation (CIO) is a new legal form for a charity. It has been created in response to requests from the charitable sector. It is a new incorporated form of charity which is not a limited company or subject to company regulation.

The Charities Act 2011 creates the basic legal framework for the CIO.

A Charitable Incorporated Organisation (CIO) is a corporate form of business designed for (and only available to) charitable organisations in the United Kingdom. CIO status is conferred by the Charity Commission on application by a charity, whether new or existing.

The main benefits of the form are that the charity has legal personality (the ability to enter contracts, sue and be sued, and to hold property in its own name - rather than in the name of its trustees), and its members have limited liability (their liability in the event the charity becomes insolvent is limited or nil).

Historically these benefits were only available to limited companies, and many charities chose to incorporate as charitable companies limited by guarantee. However, this requires registration and filings with both Companies House and the Charity Commission, each of which has its own regulations and requirements. In contrast a CIO only needs to register and file accounts and returns with the Charity Commission. This aims to reduce bureaucracy for the charity.

There are thousands of CIOs currently operating in the UK.

The format for the CIO is a template document drafted by the Charity Commission with options to allow each charity to mould it to their own specific requirements.

#### **Why change?**

The current entity is an out of date form of organisation with significant limitations on its ability to operate including:

1. It cannot own property in its own right – The PC is custodian trustee for the existing hall site and two village hall trustees have the new site vested in them as trustees of the village hall. This is very cumbersome and inefficient.

2. The current trustees have unlimited personal liability for their actions and the actions of the charity – this is, in any event, an unattractive way to operate and particularly so as we move towards the substantial sums involved in building a new hall.
3. The conveyance was drafted almost 60 years ago and does not suit a modern hall operation and various elements needs updating.
4. The National Lottery has recommended we change to a CIO for the receiving of the £200,000 grant and the building of the new hall.
5. The CIO is the structure created by the Charity Commission as its recommended structure for charities of our size.

### **What is the process?**

The Village Hall trustees have asked Paul Whittingham (a qualified solicitor and partner with Ashtons) to create a bespoke CIO document from the templates drafted by the Charity Commission. A CIO's constitution **must** be in the form to be specified by Charity Commission regulations (or as near to that form as the circumstances allow).

This draft has been discussed by the village hall trustees and approved for adoption of the CIO as drafted.

In addition, the change to a CIO will be publicised within the community to allow the village to understand the changes proposed - this an important part of the process of ensuring all the current stakeholders in the village hall understand what is being proposed and why.

Now that the draft CIO has been approved by the VHMC, we will make an application to the Charity Commission to create a village hall CIO.

### **Comments**

If anyone has any comments they wish to make, please feel free to contact Bryan Laxton on 07793 808178 or [bryan.laxton@hotmail.com](mailto:bryan.laxton@hotmail.com)

### **Details**

There is a separate document which sets out the headlines of the CIO in a little more detail with explanations. In addition a full draft of the constitution (21 pages) is also available.