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Registering your organisation as a Charitable Incorporated Organisation (CIO)

Young K&C

Young Ealing Foundation

Who this guide is for

This guide is aimed at anyone wanting to register their organisation as a Charitable Incorporated Organisation (CIO), or is already registered as a non-profit organisation, such as a community interest company (CIC), and wishes to convert to a CIO.

This guide takes you through the key requirements of registering your organisation as a CIO with the Charity Commission, the charity sector's regulatory body, so that you are able to put together and submit an application online.

It is intended to be a practical guide that will take you through the process of applying step-by-step, telling you what to do, what not to do and where you can find further information.

Acknowledgements

This guide was produced as part of a programme to support voluntary and community sector organisations in Ealing and Kensington and Chelsea to become registered as CIOs. It has been joint funded by the Young Ealing Foundation and Young K&C.



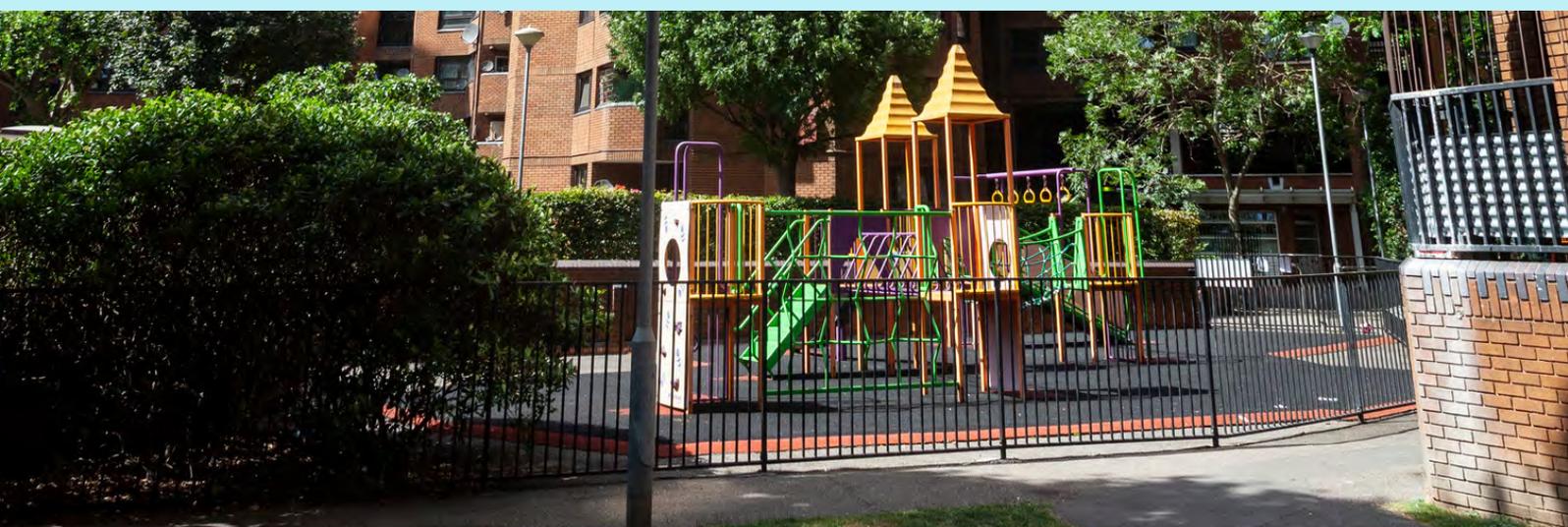
What is a Charitable Incorporated Organisation?

There are many types of charity structures, details of which can be found [here](#).

The CIO structure was launched in 2013 to combine the benefits of being a charity and company without having to register your organisation separately with Companies House. This means that the reporting requirements are simple: only having to register with and report to the Charity Commission, which is the regulatory body for charities.

It is an **INCORPORATED** structure. Incorporation is a process of going from being a collection of individuals, in the eyes of the law, to a single entity which is legally separate from the individuals involved.

This means that it has its own “legal personality” which means it can enter into contracts, buy or lease property, and employ people in its own right.



Any debts or obligations belong to the organisation rather than the individuals running it.

There are two types of CIO: **ASSOCIATION** Model and **FOUNDATION** Model. The Charity Commission provides a template constitution document for each model. If you are registering your organisation as a CIO, you will need to decide on the model for your organisation and use the correct template as approved by the Charity Commission.

- **ASSOCIATION** model CIOs are membership organisations. Usually, the members vote during elections to decide who will sit on and chair the trustee board. The trustee board makes decisions about the governing of the organisation, in the usual way.
- **FOUNDATION** model CIOs' only voting members are the trustees themselves. The foundation may have its own members, but they will not have any voting rights.

Existing charitable companies, Community Interest Companies and unincorporated charities can all become CIOs, either by **converting the existing organisation** or setting up a new CIO. More information on how to convert to a CIO structure can be found **here**.

Links

-  [Legal structures for community groups and not-for-profit organisations.](#)
-  [Convert a Community Interest Company to a CIO.](#)
-  [Change Your Charity Structure.](#)

Why Become a CIO?

There are many benefits to becoming a Charitable Incorporated Organisation. Here are some of them.

IT'S EASY

The registration process is quite straight-forward, and you only need to file accounts with the Charity Commission (not with Companies House as well, which charitable companies have to).

PEOPLE UNDERSTAND WHAT CHARITIES DO

People outside of the charity sector know what a charity is, but they are less likely to know and understand other structures such as Community Interest Companies (CICs). It is widely recognised that charities are run for the public good. This may make it easier for you to attract supporters and volunteers.

FUNDERS LIKE TO FUND CHARITIES

Most funders like Trusts and Foundations have requirements about how your organisation is set up and run. It's easy for a funder to find out more information about a charity - they just go onto the Charity Commission's website and they have immediate access to your annual filed accounts and reports. They like that there is a regulator as this gives them confidence that their funds will be used appropriately. Funders like to fund charities but often exclude other types of charitable organisations from applying for their funds.

TRUSTEES ARE NOT LIABLE

As long as trustees are acting in good faith, they will not be held liable for any debts or failures of the charity. You decide, in the constitution, whether to exclude liability completely or to limit it to a nominal amount, usually around £10, that each trustee will need to pay if the charity becomes insolvent.

TAX BREAKS

CIOs are charities so they benefit from tax breaks. Charities will pay no tax on income providing it's related to its charitable objects (purpose) or below the limit for non-charitable income. You can also claim Gift Aid on any donations – meaning they are worth 25% more than the amount that's donated.

HOWEVER...

It's worth noting that there are some disadvantages of becoming a CIO. If you are a well-established non-profit (such as a CIC), your charity accounts will not show your history. So, it will appear to others as though you have set up a new organisation.

If your organisation is currently set up within another organisation, it may be that the host organisation carries out some of your responsibilities such as payroll or provides other administrative support. If your responsibilities will increase by setting up independently, you will need to consider whether you have the resources to do this.

Directors / Trustees typically do not get paid. The Charity Commission wants to see that charities are run by volunteers who are only taking decisions based on the best interest of the charities.

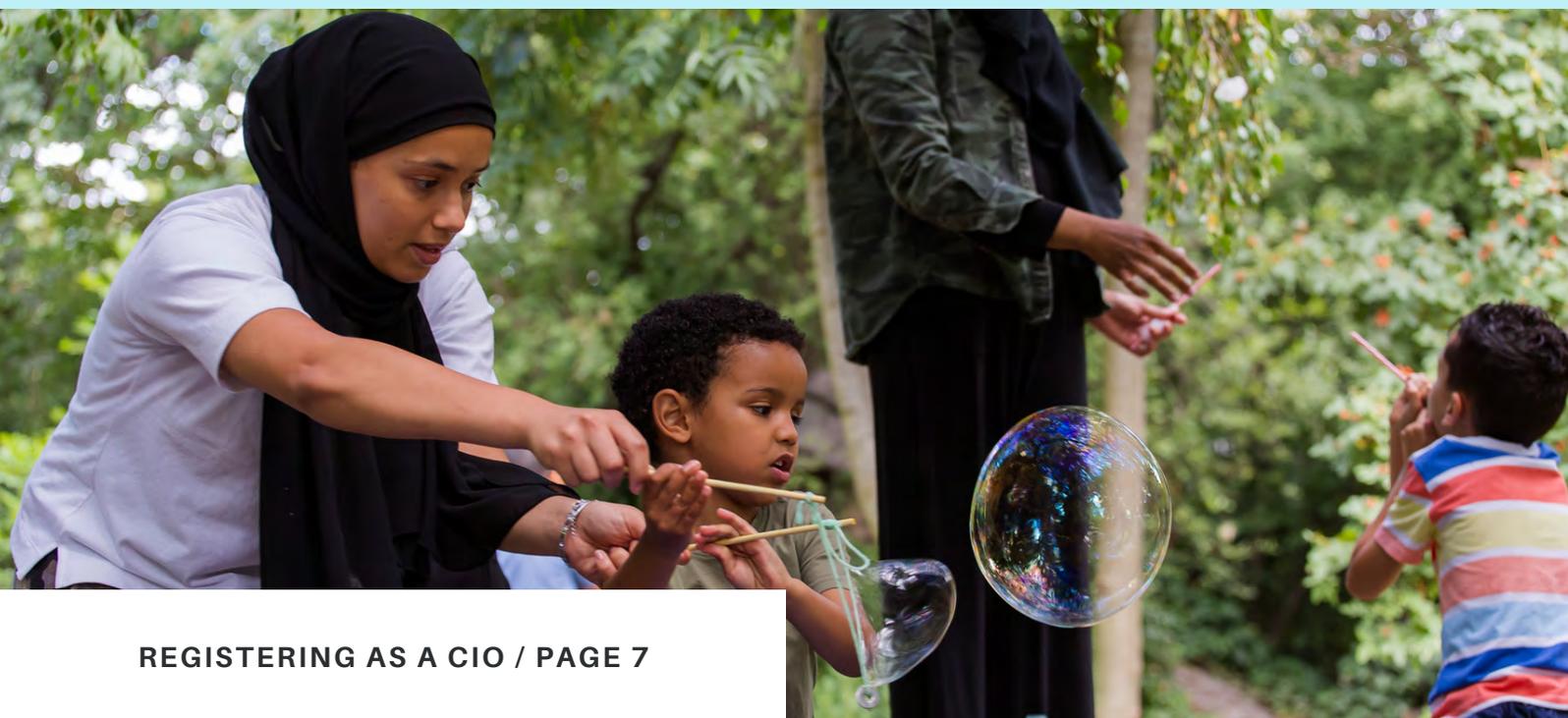
Charities are prevented from taking part in certain political and campaigning activities, so you will need to check that your purposes would not exclude it from registering as a charity.

Becoming a CIO

There are three key requirements that you need to have in place in order to register your organisation as a CIO. Each of these three requirements are explained in more detail over the next pages.

- ☑ You need to have three, unrelated trustees who are agreeing to govern your CIO and have declared their eligibility to become a trustee.
- ☑ You need to define the purposes of your organisation. They must be “exclusively charitable” and exist “for the public benefit” using one or more of the thirteen broad categories of charitable purposes as defined in the Charities Act 2011.
- ☑ Your governing document needs to meet the requirements set out by the Charity Commission. The Charity Commission provides a model template for both Association and Foundation model constitutions which you can adapt.

When completing the online application form to register your CIO, you will be asked for other information. This will include standard information that all applicants will need to provide as well as other information which will depend on the purposes your charity is set up to achieve.



Standard information requested includes:

- How you are categorising who your charity will support, what support it will provide and how and where it will provide that support.
- How much income it will bring in,
- Who will fund your organisation, and
- The nature of the relationships it has with others

Guidance on how to complete these sections is on page 13.

What to do now

- You need to set up an account with the Charity Commission. Go onto [this link](#) and “register as a new user” to set up an account.
- Onlineservices@charitycommission.gov.uk will send you a password (if you don’t receive it within a few minutes, check your spam folder). You will need to use your email address and the password that you receive to access the Charity registration service.
- Click on “start new application to register a charity” to get started.

Links

 [Apply to register a charity](#)

Appointing Your Trustees

Charity trustees have the general control and management of a charity's administration. They take equal and shared responsibility for the charity. Other names for trustees include governors, board members, directors and members of the management committee. They all mean the same thing! A minimum of three unrelated trustees are required to register as a CIO.

Becoming a trustee is a big responsibility. Make sure anyone you ask to become a trustee of your organisation understands their roles and responsibilities. There are **SIX** main areas of responsibilities and more information is provided [here](#).

1. Legal duties

A trustee has to ensure that the charity is carrying out its purposes for the public benefit and complying with its governing document. Trustees have to act in the charity's best interests, manage resources responsibly and act with reasonable care and skill.

2. Financial responsibilities

Trustees agree and monitor how money will be spent and ensure that annual statements of income and expenditure are produced and reported on time to the Charity Commission.

3. Funding

Trustees should think strategically about funding, making sure it is not too reliant on one source of funding and making sure that it has enough funding to meet its aims.

4. Strategy and impact

Trustees need to ensure that there is a clear understanding of what the charity is set up to achieve, and that the charity is able to demonstrate how it meets its purpose.

5. Managing risk

All organisations face risk. The trustees' role is to understand potential risks and to take steps to ensure that those risks are manageable.

6. Managing people

Trustees have to put in place policies and procedures to make sure that staff and volunteers are well supported. They may also have line management duties, for example, towards the Chief Executive.

Usually, trustees take on additional responsibilities such as advising the trustees on their financial responsibilities (Treasurer), ensuring that information is reported to the Regulator (Secretary) and chairing meeting of the trustee board, leading on its development and taking urgent action (Chair). Only the Chair has to be identified during the application process.

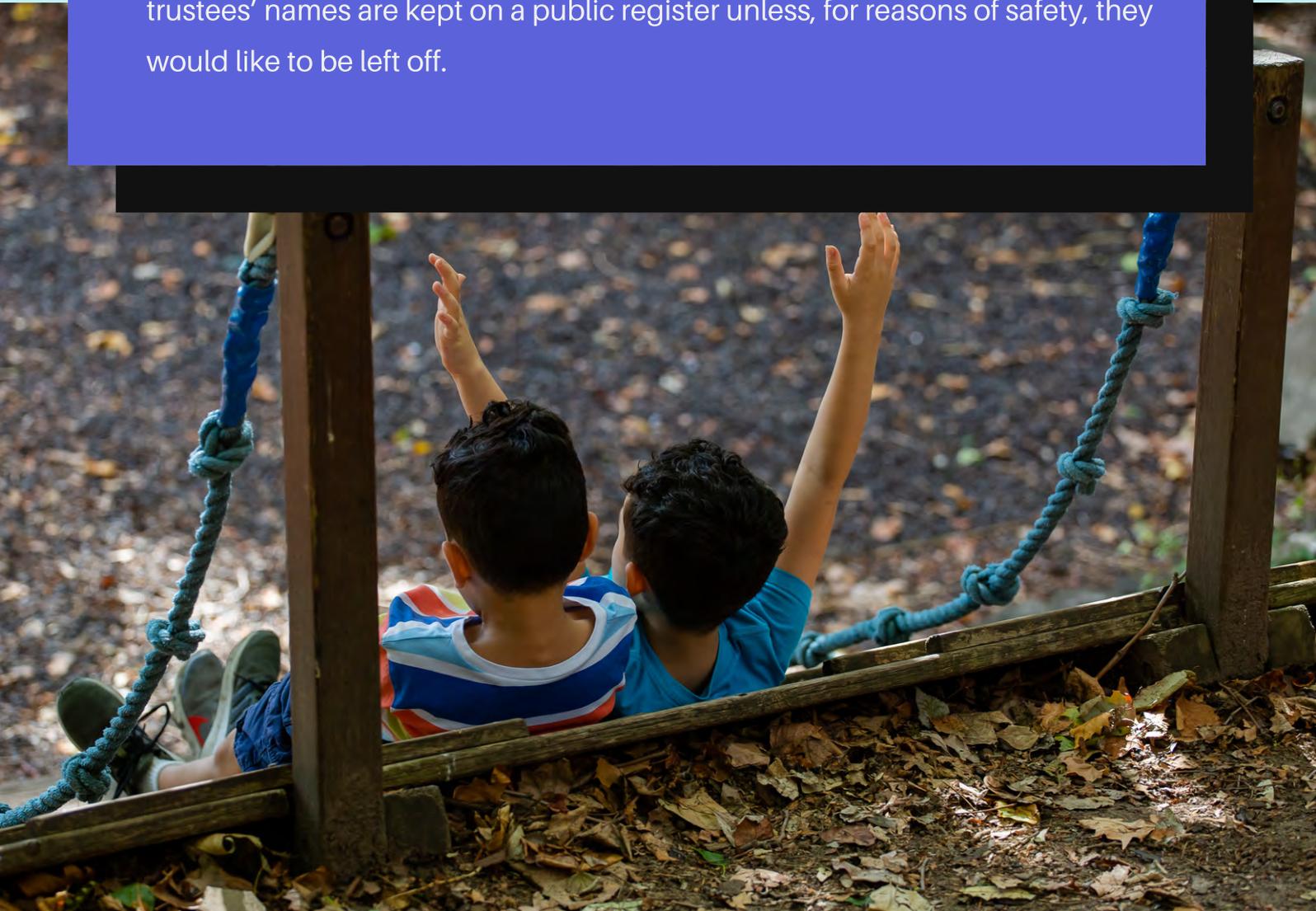
GOOD GOVERNANCE

If things go wrong, and they sometimes do, as long as the trustees have acted in good faith, they will not be held personally responsible for any debts, even if the charity becomes unable to repay them. However, things are less likely to go wrong if you put in place good governance practices

1. Recruit trustees who have a good mix of knowledge, experience and skills
2. Ensure that they are not disqualified from becoming a trustee (see appendix A)
3. Ensure your board is diverse and representative of its service users. This makes services more effective, leads to richer discussion and better decision making as a result of these broad perspectives.
4. Hold effective meetings with an agenda, a clear record of who has agreed to do what and a clear process for making decisions.

What to do now

- ✓ Once a minimum of three, unrelated people have agreed to become trustees, they need to complete a trustee declaration form (see appendix B) and provide their personal details so you can register them with the Charity Commission.
- ✓ Each trustee needs to provide their title, full name, date of birth, address, email, telephone number and details of any other charities that they are trustees of. All trustees' names are kept on a public register unless, for reasons of safety, they would like to be left off.



Links

[!\[\]\(f4349ea867b307dd2675269f68d0971f_img.jpg\) The essential trustee: what you need to know, what you need to do.](#)

Writing Your Charity's Purposes

Your charity's "purposes" are what it is set up to achieve. How you describe your purposes must fall within one or more of thirteen descriptions of purposes listed in the Charities Act 2011. The different types of charitable purposes are explained [here](#). Purposes must be exclusively charitable and for the public benefit.

This information is important for the Charity Commission but also for anyone joining, benefitting from or supporting your charity.

There are FOUR steps to writing your charity's purposes. Your purposes should make clear

1. **What** outcomes your charity is set up to achieve. You need to describe your purposes (from the list provided) and state that it is for the public benefit. For example, within the purposes "the relief of those in need, by reason of youth, age, ill-health, disability, financial hardship or other disadvantage" you might state "For the public benefit, to advance in life and relieve the needs..."
2. **How** your charity will achieve those outcomes. For example: "The provision of recreational and leisure time activities provided in the interest of social welfare, designed to improve their conditions of life"
3. **Who** the outcomes will benefit. For example: "children and young people"
4. **Where** the benefits extend to. For example: "in the City of London and surrounding areas"

In this case, this refers to a youth charity who has the following objects:

The objects of the CIO, being undertaken in the City of London and surrounding areas for the public benefit, are as follows:

- *To advance in life and relieve the needs of children and young people through the provision of recreational and leisure time activities provided in the interest of social welfare, designed to improve their conditions of life;*
- *Providing support and activities which develop their skills, capacities and capabilities to enable them to participate in society as mature and responsible individuals.*

The charity's purposes go in the objects clause of its governing document. You will also be required to insert it separately into the online application form.



DO!

Search for a similar charity to yours on the Charity Commission website to see how others have written their charitable purposes. You can do this by going to [this link](#) and entering the name of a charity you know, selecting it from the list and then clicking on "Governing document" to see its charitable objects. This will make it easier for you to see how to put the purposes together.

DON'T!

Include lots of different charitable purposes, only use the ones that fit most closely to what your charity is set up to do achieve. Remember, the more you say it will do, the more the Charity Commission will ask you to demonstrate how you will do it. Keeping it simple is key!

Links

 [Guidance: Charitable Purposes](#)

 [Search the register of charities](#)

What to do next:

Draft your organisation's purposes.



Your Charity's Governing Document

Your charity's governing document is a legal document. It works as a rulebook, setting out (amongst other things):

- Its charitable purposes, and what it can do to carry out its purposes, such as borrowing money,
- Who runs it and who can be a member,
- How meetings are held,
- How trustees are appointed,
- Rules about paying trustees, making investments and holding land,
- How the trustees can change the governing document, including its charitable objectives, and
- How to close the charity.

The Charity Commission provides a template model "constitution" or governing document which you can adapt and edit. You do not have to use their template, but if you want to produce your own, referring to template model will help you to ensure you include all the necessary sections.

Trustees should refer to the governing document regularly. It tells you how to run your charity. For example:

- How many trustees are needed to make decisions, how to recruit them and how to run meetings;
- How to look at the money and keep accounts;
- How to take decisions and resolve internal disagreements.

What To Do Now:

- Once you have decided whether you need a Foundation or Association model template, go onto this link to download a copy and amend it accordingly. Follow the guide carefully to see what you “should” do and what you “must” do when adapting it.
- Include the name of the Charity which must be the same as the name you give the Charity Commission and the name you put on the top of the trustee declaration
- Insert the agreed charitable objects and in which country the charity’s main offices will be located.
- Trustees should meet to discuss and agree it. Ask the Chair to sign, print their name and date the constitution at the top. Include in the meeting minutes that the constitution was agreed.
- Upload it onto your registration application.

Links

 [Setting up a charity: model governing documents](#)

Submitting Your Application

You now have most of the information that you need to complete your online application to register as a CIO with the Charity Commission. Before completing your application make sure you have pdfs of the following documents:

- Your organisation's governing document
- A completed trustee declaration form signed by all trustees
- Your latest financial accounts (if applicable)

You may also need other documents depending on your organisation's purposes.

In this section, we look at the other standard information that you will be requested to provide.



Classifying your organisation

On the classification page, you will be asked to select from a series of options, WHAT the charity is set up to achieve, HOW it achieves it, WHO it helps and WHERE it operates. It's really important that you choose the classifications that match your "objects" and how you currently achieve them. If you are planning to, for example, extend your services into a new area, you can always change this at a later point with the Charity Commission.

Finance

If you have a bank account or building society, it will ask for details as well as an estimate of how much income you will bring into the charity and how much you have already secured. If you are starting a new CIO, estimates are fine, just try to be realistic. You will also be asked for your financial year end date. Many charities operate in line with the financial tax year so you may wish to set up the tax year from April to March. Please note that you are required to submit your accounts ten months after your tax year, so make sure you are prepared!

Funding

You will be asked how your organisation will be funded and to provide examples of who those funders might be. For most charities, “grants” from trusts and foundations such as John Lyon’s Charity or the National Lottery Community Fund will be relevant. However, you may expect to have a “contract” with the local authority or housing association, secure donations from individuals who may contribute to a service, or you may receive subscriptions from your service users. Whichever type of funding you select, provide a brief explanation of it. NCVO provides a helpful summary of different types of income [here](#).

Connections

Tell the Charity Commission whether the organisation is likely to employ or buy goods or services from a trustee, founder, person or organisation connected to a trustee or founder. You will need to provide the name of that person and attach minutes to show that this was agreed by the trustees (bearing in mind that the relevant trustee who is to be employed or who has the connection cannot have a vote in that decision). It might also be worth showing that the trustees have considered that the decision is in the best interests of the charity and that it demonstrates good value for money.

All applications require you to provide a summary of what your organisation will do (activities and services) to meet its purposes and what benefits that will achieve. As long as you are keeping to what you have said you will do in the purposes, this will be accepted by the Charity Commission.

You will be asked if service users will be required to pay for services. If you do intend on charging a fee, you will be asked how trustees have determined that the fee is reasonable and would not exclude anyone from using your services as a result. This is so that it meets the “public benefit” requirement and is “exclusively charitable.”

Links

 [Income spectrum: helping you find the right income mix](#)



What to Expect Next

The Charity Commission aims to review all applications within two working days to see if they can make a quick decision on your application. However, for most applications, response times are much longer and can range from a couple of months to up to six months.

Often, you will be asked for more information. This may be to clarify your objects, how you will achieve them or, in the case of saying that you will employ or buy services from a trustee or connected person, to ensure that this will not stop trustees from carrying out their roles effectively and in the best interests of the charity.

Before replying to any request, ensure you have reread your application so that your response is in line with your application, unless you wish to change your response.

You've received your registration number - what next?

The email that you include in your contact details on your application is the one the Charity Commission will use to send you confirmation of registration. You will receive your registration number and links to a wealth of information that will be useful to your trustees in running your charity, so make sure your trustees know how to access and use it.

You will need to ensure that you can access your online services account. Make sure you print off your incorporation certificate so you can prove your organisation's charitable status and, for example, set up your bank account.

Finally, update all your marketing and communications so you can let everybody know!

For More Information

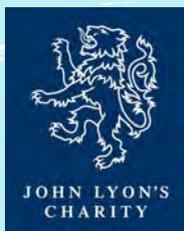
Young People's Foundations exist in a number of boroughs around the country. They are Barnet, Brent, Camden, Ealing, Harrow, Hammersmith and Fulham, Kensington and Chelsea, Manchester and Westminster.

Click [here](#) to find an updated list of the YPFs, all of which provide support to local voluntary and community organisations and will be happy to read and support you to finalise and submit your application.

This guide has been prepared by Clear Thinking Consultancy for the Young Ealing Foundation and Young K&C. Clear Thinking Consultancy is a small, BME-led support services organisation that provides support to small, micro and start-up voluntary and community sector organisations. Through our work, we support our partners to maximise their local impact and move towards financial sustainability.



www.clearthinkingconsultancy.com



Thank you to the [John Lyon's Charity](#) for their continued support.



www.youngealingfoundation.org.uk

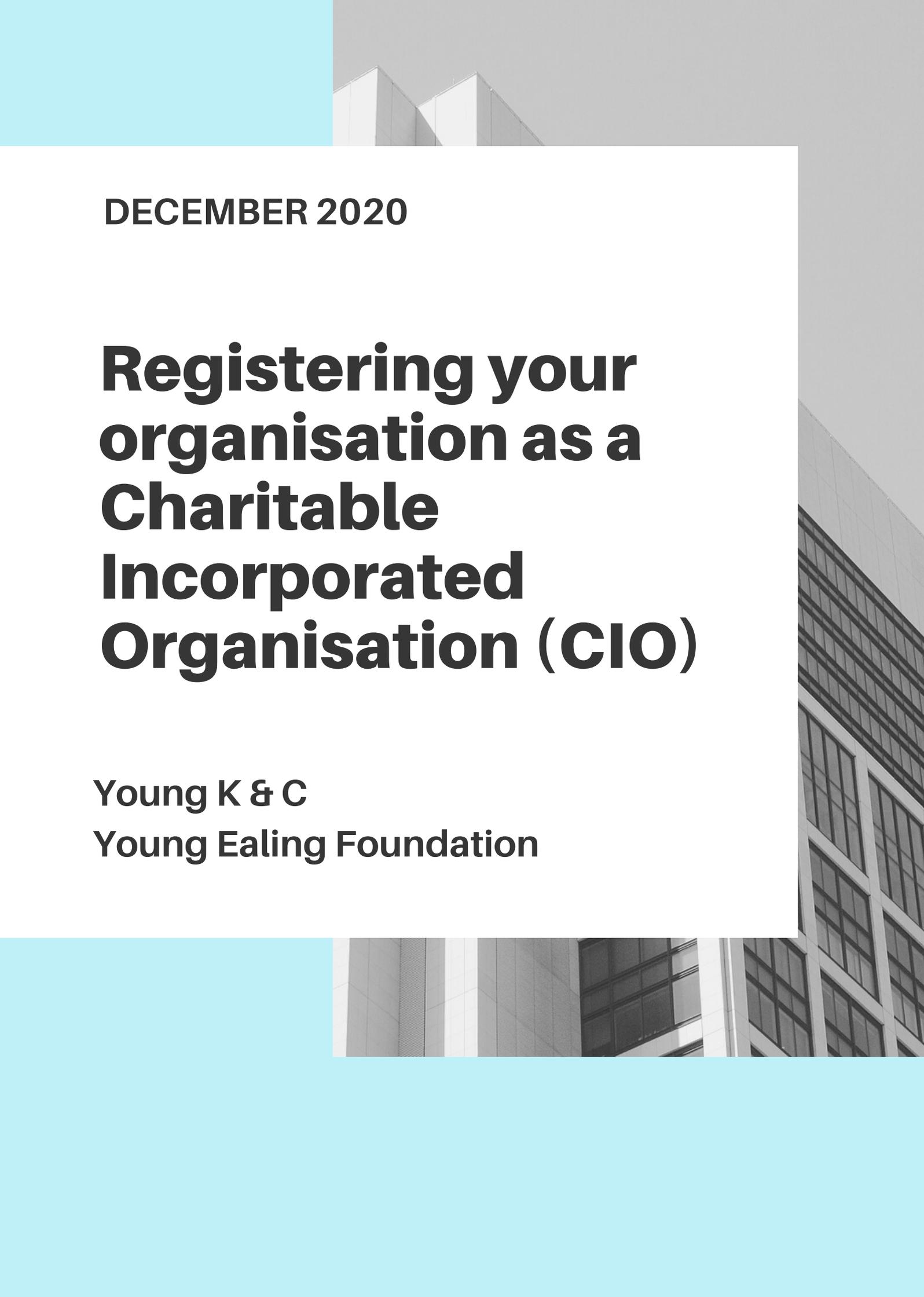
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