

# Charitable Incorporated Organisation (CIO)

## Key points

### **Why convert EBKA to a CIO?**

EBKA is at present an informal trust without a formal trust deed. The two main disadvantages of a charitable trust are:

1. trustees past and present may be liable for the debts of the charity if it becomes insolvent, and
2. the charity may not enter into a contract for the occupation of land or employ people.

While it is unlikely that EBKA would wish to take on any employees, the divisions have numerous agreements with landowners to establish apiaries on their land. As a charitable trust these agreements must be held by individual members, otherwise they are invalid. Association assets and members' property in these apiaries are therefore at risk.

Conversion to a CIO overcomes both disadvantages.

### **What is the process of conversion to a CIO?**

The first step in converting an existing charity to a CIO is to prepare a written constitution. The trustees agree to be nominated as trustees of the new CIO entity, and the constitution is submitted to the Charity Commission for registration. Provided that the constitution meets the requirements of the Charity Commission, the CIO will be registered as a new charity. The existing charity continues as before.

When the CIO is registered, the members of the existing charity may vote at a General Meeting to dissolve the charity, and to transfer its assets to the CIO. At that point the CIO is effectively open for business, and when the assets have been transferred the old charity can be extinguished.

### **What is the purpose of the constitution?**

The constitution defines the powers of the CIO, the trustees and the members, including voting rights and procedures. It is in many ways similar to the Memorandum and Articles of a Limited Company.

### **How is the constitution prepared?**

The Commission is supportive of charities wishing to convert to a CIO, and publishes a template on the CC website, with explanatory notes and best practice guidelines.

The Commission does not lay down any specific rules for drafting the constitution. However, unnecessary deviation from the template is not to their liking. BBKA initially briefed a firm of solicitors to draft their constitution. However, this caused many problems and much delay.

The draft EBKA constitution is based very much on the template, amended as necessary to reflect the structure of the charity and to exclude unnecessary provisions. For example EBKA divisions are primarily responsible for managing membership records, and so the divisional structure has to be defined in the Constitution.

At the same time the rules governing postal voting have been excluded because of the potential expense of the Electoral Commission and because the current Rules contain no such provisions.

In the case of EBKA we also have the benefit of advice from John Rhodes, a semi-retired City solicitor who already acts for a number of charitable trusts. John has already provided input to the draft constitution and will review the final document before submission to the Charity Commission.

### **What are the costs of converting EBKA to a CIO?**

There are no significant direct costs or ongoing reporting requirements.

### **How and when should the membership be consulted?**

In principle the wider membership does not need to be involved in the process until dissolution of the existing charity is proposed at a general meeting. However, it is important that all members are kept fully informed and properly engaged. A proposition will be put to the upcoming AGM authorising the Trustees to prepare a Constitution for submission to the Charity Commission. In addition regular updates will be provided in the Essex Beekeeper.

### **What practical changes do we need to make before conversion?**

First and foremost, new bank accounts will be required to replace all bank accounts operated by the charity and its divisions. This will not be possible until the CIO is registered with the Commission. Balances on EBKA accounts would then be transferred to the new accounts, and old accounts closed.

At present divisional bank accounts are held with different banking companies. The reasons are historic, but to avoid unnecessary duplication of effort it may be desirable to open all accounts at the same bank. Existing signatory rights may be maintained.

This is a matter for the CEC and divisions to consider and decide, but would certainly save a lot of duplicated effort for divisional treasurers.

There is no need to change the EBKA logo. However, all published material should be updated to reflect the new name (Essex Beekeepers' Association CIO) and the new registration number. This applies both to internal and public documentation and media.

We are preparing a list of all external organisations to be informed of the change when it takes place. These would include the BBKA, BDI, NBU(?), HMRC, Bee Craft Ltd, and of course the Charity Commission to remove EBKA from the Register.

### **What effect does the constitution have on the Rules and Trustee Handbook?**

The Constitution of the CIO replaces the EBKA Rules and Handbook as the authoritative source of Association regulations and rights and responsibilities of Trustees and members.

A new set of Rules will still be required to define in detail how the Constitution is to be implemented.

For example, Clause 9 (6) confers the right on the CIO to request membership fees from the membership:

*“The EBKA may require members to pay reasonable membership fees to the EBKA.”*

and the Rules will spell out how subscriptions are to be assessed and applied.

It is unlikely that any significant changes to the Trustee Handbook will be required.

### **What changes will take place to the powers and obligations of the trustees?**

Apart from the trustees no longer being liable for the debts of the Association, there are no significant changes to their powers or obligations. They will however be asked to sign a new Trustee Agreement which will be virtually identical to the existing document.

### **How can I find out more about the conversion to a CIO?**

In the first instance members should consult with their Divisional Voting Member (Trustee) for further information. Alternatively, they may contact the General Secretary (Tony Rand) by email to [secretary@ebka.org](mailto:secretary@ebka.org).