



Response to Office for Civil Society “Conversion to a CIO” Consultation

The Hospital Broadcasting Association (HBA) welcomes the opportunity to respond to this consultation by the Office for Civil Society on the conversion of charitable companies to Charitable Incorporated Organisations. The CIO form is potentially appropriate for both the HBA and the majority of its members and thus this response considers the effect of the proposed regulations both on HBA itself and its members.

The HBA and its members

HBA is a membership organisation incorporated as a company limited by guarantee and registered as a charity. It supports and promotes hospital broadcasting within the UK. HBA is a “virtual” organisation, with no offices or other land, run entirely by volunteers.

HBA currently has 210 member hospital broadcasting organisations throughout the United Kingdom providing services to patients in over 350 hospitals and other healthcare facilities, as well as a number of old people’s homes.

The vast majority of our members are small unincorporated associations registered as charities and, as such, as not affected by this consultation; HBA is already advocating that its members consider adopting the CIO form, and has a fast-track conversion approvals process in place with the Charity Commission.

Answers to your consultation questions

1. **Do you support the introduction of these draft regulations?** and
2. **Do you believe there is a demand for the introduction of these draft regulations? If so, do you plan to take advantage of them?**

HBA supports the long-overdue introduction of these regulations and believes that there is likely to be a large demand from charitable companies to adopt the CIO form. HBA’s Trustees would seriously consider recommending to its members that it adopt the CIO form. HBA would appear to be an ideal candidate for conversion from a charitable company to a CIO, as doing so will significantly reduce the regulatory burden on the charity’s Trustees - primarily:

- the requirement to comply with company law, and to register and file with Companies House would be removed; and
- the charity’s accounts could be produced on a “receipts and payments” basis, rather than on accruals basis, reducing the accountancy costs.

A very small number of our hospital radio stations are either companies limited by guarantee or CICs. These organisations, particularly those set up as charitable companies, would potentially benefit from the ability to convert to a CIO in much the same way as HBA. Because of their small size, the current regulatory burden on these charities will be proportionately higher than is the case for HBA itself.

HBA - supporting Hospital Broadcasting in the UK

For more information see www.hbauk.com, e-mail info@hbauk.com, or call 0300 121 0500.

HBA is the operating name of the National Association of Hospital Broadcasting Organisations.
Registered in England and Wales as a company limited by guarantee (No. 2750147) and a charity (No. 1015501).
Registered Office: Avebury House, St Peter Street, Winchester, SO23 8BN

3. Are there any measures in the draft regulations that you believe should be removed or changed?

The main concern that HBA has is regarding the requirement for the converting company to have filed the previous financial year's Trustees' Annual Report and Accounts with both the Charity Commission and Companies House prior to applying to convert. Due to the time it takes to prepare these documents after the financial year end, this potentially leaves a very short period of time during which an application for conversion could be made. HBA typically takes between 5 and 6 months to prepare its Trustees' Annual Report and Accounts, have the documents independently examined, and file them with both regulators. This reduces the time period during which an application to convert to a CIO could be made to only 6 months of the year.

Charitable companies in Scotland have had the ability to convert to the broadly equivalent legal form of Scottish Charitable Incorporated Organisation for some time now, without such a tight requirement being imposed – the requirement is only that the converting company is not overdue in its filing/reporting obligations – without any reported problems. Why is it necessary for this additional requirement to be imposed on English and Welsh charities? After all, whilst the organisation has changed legal form, it is legally the same organisation throughout, so the filing obligations can simply be enforced against the newly-converted CIO.

4. Are there any measures missing from the draft regulations that you believe should be included?

It is proposed to add the list of CIOs to the set of registers which Companies House must check new company registrations against. This seems sensible, but why restrict it to CIOs? The Charity Commission does not maintain a separate register of CIOs; they are included in the overall Register of Charities. Why not, therefore, require that Companies House check new company registrations for clashes of names with ANY registered charity? This would appear to be no larger burden on Companies House, and will benefit unincorporated charities by protecting their name against potentially confusing company registrations. Checks should also be made against the registers maintained by OSCR and the Charity Commission for Northern Ireland.

5. Do you agree the measures should be phased in? Do you have any comments on the proposed phasing in of the measures?

It makes sense to phase in the new measures. In reality, it is unlikely that HBA or any of its members which are constituted as companies or CICs would be ready to convert to a CIO much before July 2017, so the dates proposed would not create a significant further delay in conversion.

6. Do you have any other comments about the regulations or issues that should be considered?

It is highly likely that charities will wish to combine the conversion process with either a change in name and/or a change in charitable objects. Whilst allowing these changes to occur at the same time should not require any changes to the proposed regulations, it will be important that the processes and procedures put in place by the Charity Commission facilitate such changes at the same time as conversion to a CIO, and that the Charity Commission resources its registration team sufficiently to process such multi-faceted applications in a timely manner.

This need for an appropriate level of staffing will be much more important if the requirement for the Trustees' Annual Report and Accounts to be filed prior to application for conversion is maintained, as the window for conversion by a charity will have been reduced, possibly to as little as 3 months, and if there is any delay in processing by the Charity Commission, the new financial year may have started before approval is granted, potentially invalidating the application for conversion until another set of accounts have been filed. As there is probably an uneven distribution of financial year ends, with many more ending in March than other months, it seems highly likely that there will be a surge of CIO conversion applications between January and March each year, which is likely to cause additional staffing difficulties for the Charity Commission.

7. Do you agree with our assessment of the impact and effect this legislation will have?
and

8. Do you have any comments to make on our assessment?

The HBA agrees that the regulations are deregulatory and enabling in nature. They impose no additional costs on those that chose not to convert. Converting from a company limited by guarantee registered as a charity to a CIO will reduce the regulatory burden, as stated in our response to Question 2. Introducing these regulations reduces the burden further, as they allow a near seamless transition to the new legal form without having to go through the process required of unincorporated charities wishing to convert – register a new CIO, transfer assets from old charity to new CIO and dissolve the old charity.

HBA is not in a position to comment on the costs and cost savings associated with regulations, other than to say that:

- as an entirely volunteer-run organisation, we would not expect there to be any direct costs of conversion – any proposal to convert would be put to our members at an AGM, we would not anticipate having to utilise the services of any professional advisors, and the administrative work on any conversion would be undertaken by our volunteers; and
- we would anticipate an on-going cost saving (actual saving unknown at this time) relating to accountancy services, due to the lack of necessity to file company-style accounts.

If you have further questions regarding HBA's response to this consultation, please contact Nigel Dallard, one of HBA's Trustees and the Trustee Board Secretary, via email at nigel.dallard@hbauk.com or by telephone on 0300 121 0503.