

Stragglers Annual General Meeting - 28 September 2023

The Stragglers Running Club – Proposal to become a Charitable Incorporated Organisation

Background

The Stragglers has, since its inception, operated in the form of an unincorporated association. This traditionally has been the most common type of legal form for an athletics club, being seen as the simplest, cheapest, and most informal way of running a club. Essentially, it is a club run by the members predominantly for the benefit of the members and with little or no outside control other than those requirements imposed by the club's national governing body.

Proposal

While our current form has served us well over many years, the proposal is that the club is now operating in such a way that has outgrown the informality of an unincorporated association. The Committee is therefore proposing that we explore the adoption of a new legal form that better reflects the current circumstances and ambition of the club. The proposed form is a Charitable Incorporated Organisation (CIO).

Why change?

Unincorporated associations which are not charities are liable for corporation tax. This means we are liable for tax on our net income from our events notably Cabbage Patch 10. The amount of tax payable is not huge – about £2,000 pa, but this is income that could be spent on our members rather than passed to HMRC if we were to become a charity.

Becoming a charity would be entirely consistent with our club Object which “is the promotion of amateur athletics and recreational running. The club also supports ancillary sports such as cycling and triathlon”.

There are also other disadvantages to being “unincorporated”. In this form the club is not what is regarded as a “legal person”, which means that it cannot enter into legal relationships in its own right, requiring any contracts (for example for catering at BPSC) to be entered into by an individual member. England Athletics say “As individuals have to enter into contracts in their own names, they could be held personally liable on an unlimited basis if, for example, the club breaches the terms of a contract. Similarly, as the club has no legal personality, if the club is negligent and causes personal injury, the claim will usually be made against one or more members of the management committee. In either case, if the club has taken an insufficient level of insurance cover or has somehow voided its policy and then has insufficient funds to meet the claim, the individuals will be personally responsible for making up any shortfall”. There is therefore a risk – if only theoretical – that individual club members face unlimited liability if things were to go wrong.

In recent years we have become increasingly ambitious for our club and our members. Our annual turnover is around £100,000 and could grow if we took on additional events. We are increasingly entering agreements such as with BPSC that bring responsibilities and well as benefits. The committee believes that transition to a CIO would support our evolution as a more ambitious and professionally run club, allowing the club to take on additional opportunities or contribute more to our local community in the future.

Why a CIO?

Charitable Incorporated Organisations are a relatively new form of organisation, introduced first in 2013. EA say “The CIO is designed principally for small- or medium-sized charities, particularly those which were previously constituted as unincorporated associations, which now wish to have the benefit of a separate legal personality and limited liability. This means that it is the CIO itself (rather than the management committee) which holds the assets, enters into contracts and employs staff; and the liability of members of the CIO to third parties is limited to a nominal amount (e.g. £1) as set out in the CIO's constitution”.

Although it has the benefits of incorporation, a CIO is not a company and therefore does not need to register with Companies House. Instead, there is a single registration with the Charities Commission who will wish to ensure that the proposed CIO meets its eligibility requirements. Since Companies House requirements can be quite onerous, the single registration offers a significant advantage to small organisations.

Are there any disadvantages to becoming a CIO?

As previously stated, an unincorporated association is a club run by the members predominantly for the benefit of the members and with little or no outside control. Becoming a CIO requires registration with the Charity Commission and compliance with the Commission's requirements, notably the annual filing of an annual report and accounts. As a “small” charity (defined by the Commission as turnover of less than £500,000 pa) the reporting requirements are reasonably light-touch but do include providing the names of trustees. The Commission would need to be informed of any serious incident that took place within the club and it has a power to investigate if there are complaints against the charity.

As an incorporated organisation we might have to incur some additional costs, for example professional fees such as preparation of accounts and independent examination/audit.

Are there alternatives to a CIO?

The club could pursue incorporation as a company, typically as a company limited by guarantee. This traditionally has been favoured by “not for profit” organisations. However this would require registration with Companies House which potentially would be quite onerous.

Some athletics clubs have remained as unincorporated associations but have gained financial benefits through becoming “community athletics sports clubs” (CASCs) because of a Treasury rule that allows CASCs with a turnover of up to £50,000 pa to be exempt from corporation tax. The Stragglers' turnover is however nearer to £100,000 pa and we would not therefore benefit from being a CASC.

Do we have to change?

No. No-one is forcing a change upon us. We could continue to operate in our current legal form of an unincorporated association.

However, we would continue to be liable for corporation tax on the club's net income from our events notably Cabbage Patch 10 – requiring us to continue to set aside about £2,000 each year for payment of tax. And as individual committee members we would have to accept that we continue to bear the risks of unlimited personal liability in the very unlikely event of something going seriously wrong.

If we agree to pursue becoming a CIO, what happens next?

The committee has endorsed the idea of becoming a CIO and is asking the AGM whether it supports the proposal in principle.

No final decision is required by the AGM at this stage.

If supported in principle by AGM we would set up a small working group (perhaps including non-committee members as well as committee members) to prepare an application to the Charity Commission. This would include revising the club's constitution – though this might largely be a fairly simple process of transferring the detail of the club's existing constitution to the Commission's CIO constitution template. There would be some options to work through regarding for example the composition of the board and what an optimal number of trustees would be.

A special General Meeting would then be asked to approve the revised constitution. Legal advice could be sought from specialist lawyers – EA retain Muckle LLP to advise clubs on legal matters, and their initial 30 min free consultation was very useful.

Once submitted, it is understood that the process of registration by the Charity Commission can take several months, even for a straightforward application.

In summary, the next steps are:

- AGM to consider whether it in principle it supports the proposal for the club to become a CIO.
- If supported, form a small working group to prepare an application to the Charity Commission and to draft the required revision to the club's constitution.
- Once prepared, call a special General Meeting to consider the revised club constitution.
- If the revised constitution approved, submit the application to the Charity Commission for the club to become a CIO.

Where can I find more information?

England Athletics:

[Club Guide - Club Legal Structure - England Athletics Club Hub](#)

Deloitte: A guide to establishing your charity as a CIO:

[Charitable Incorporated Organizations | Deloitte UK](#)

Charity Commission: The essential trustee: what you need to know, what you need to do:

[The essential trustee: what you need to know, what you need to do \(CC3\) - GOV.UK \(www.gov.uk\)](#)