

PARLIAMENTARY DEBATES

HOUSE OF COMMONS
OFFICIAL REPORT

Ninth Delegated Legislation Committee

DRAFT CHARITABLE INCORPORATED
ORGANISATIONS (CONSEQUENTIAL
AMENDMENTS) ORDER 2017

Thursday 23 November 2017

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Monday 27 November 2017

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The Committee consisted of the following Members:

Chair: ANDREW ROSINDELL

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| † Caulfield, Maria (<i>Lewes</i>) (Con) | † Seely, Mr Bob (<i>Isle of Wight</i>) (Con) |
| † Clarke, Mr Simon (<i>Middlesbrough South and East Cleveland</i>) (Con) | Smeeth, Ruth (<i>Stoke-on-Trent North</i>) (Lab) |
| † Crouch, Tracey (<i>Parliamentary Under-Secretary of State for Digital, Culture, Media and Sport</i>) | † Smith, Jeff (<i>Manchester, Withington</i>) (Lab) |
| † Dhesi, Mr Tanmanjeet Singh (<i>Slough</i>) (Lab) | † Swayne, Sir Desmond (<i>New Forest West</i>) (Con) |
| Evans, Chris (<i>Islwyn</i>) (Lab/Co-op) | Walker, Thelma (<i>Colne Valley</i>) (Lab) |
| † Hill, Mike (<i>Hartlepool</i>) (Lab) | † Warman, Matt (<i>Boston and Skegness</i>) (Con) |
| † Lefroy, Jeremy (<i>Stafford</i>) (Con) | † Whittaker, Craig (<i>Calder Valley</i>) (Con) |
| † Lewer, Andrew (<i>Northampton South</i>) (Con) | Gail Bartlett, Samir Setti, <i>Committee Clerks</i> |
| † Reed, Mr Steve (<i>Croydon North</i>) (Lab/Co-op) | † attended the Committee |

Ninth Delegated Legislation Committee

Thursday 23 November 2017

[ANDREW ROSINDELL *in the Chair*]

Draft Charitable Incorporated Organisations (Consequential Amendments) Order 2017

11.30 am

The Parliamentary Under-Secretary of State for Digital, Culture, Media and Sport (Tracey Crouch): I beg to move,

That the Committee has considered the draft Charitable Incorporated Organisations (Consequential Amendments) Order 2017.

As always, it is a pleasure to serve under your chairmanship, Mr Rosindell. The draft order is a small part of a package of secondary legislation to support the development of charitable incorporated organisations. I hope hon. Members will allow me to put it in context by explaining briefly the background to the package.

CIOs, which have been available since 2013, are the only legal structure designed just for charities. Charities often choose a corporate structure because it has legal personality and limited liability for its members and trustees. CIOs provide these benefits, but unlike charitable companies, they are subject to a single regulatory regime under the Charity Commission, rather than a regime of dual regulation by the Charity Commission and Companies House. They have proved popular—more than 12,000 have been set up so far—and some charities that originally chose a company structure now want to adopt a CIO structure, as do some community interest companies.

Our package of secondary legislation will make it easy for charitable companies and CICs to convert into CIOs if they so wish. A right of appeal to the charity tribunal already exists for charitable companies whose application to convert to a CIO has been refused by the Charity Commission; the draft order will provide an equivalent right of appeal for a conversion application from a CIC. The rest of the package consists of two other statutory instruments that will provide more detail on the conversion process and make supplementary changes. I have deposited drafts of the instruments and an impact assessment in the Library for those interested.

The package of proposals underwent full public consultation in 2016. Several improvements were made as a result of consultation feedback, which also showed overwhelming support from 95% of respondents for establishing a statutory conversion process. Commencement is planned for January 2018, but to manage demand the Charity Commission has proposed phasing the availability of the conversion process: it will start with the smallest charitable companies and will open up conversions to CICs from September 2018.

I hope hon. Members agree that the draft order is an uncontentious measure that will support small charities. I commend it to the Committee.

11.32 am

Mr Steve Reed (Croydon North) (Lab/Co-op): It is a pleasure to serve under your chairmanship, Mr Rosindell. The draft order is clearly a very sensible reform that the sector has awaited for some time. We support its principles. I put on the record my thanks to the Minister for giving me the opportunity to meet her and her advisers informally to talk through the changes and their implications.

Is the Minister reassured that the Charity Commission has the resources to deal with the workload once conversion becomes possible? As she will be aware, it has recently faced considerable reductions in funding. It estimates from its own consultations with the sector that approximately 10,000 charities—roughly 25%—will wish to convert to CIO status. That additional conversion work will come on top of the existing pressures on its workload from the increase in CIO registrations, of which a higher number than anticipated have not fully met the filing requirements. The question is not whether the draft order is a good reform, but whether she is confident that the commission has sufficient resources to carry out its work as she would wish, without creating a backlog in applications for conversion.

May I also raise a wider issue? The House of Lords Select Committee on Charities published a report in March with a number of recommendations for the future governance of charities. Could the Minister give us an idea of when the Government intend to respond to that report?

11.35 am

Tracey Crouch: I am grateful to the hon. Gentleman for his constructive comments. We all accept that small charities are the backbone of civil society, undertaking hugely important work in communities across the country. We want them to be able to thrive and to have access to the legal structures. That is why we are introducing the statutory instrument.

I hear what the hon. Gentleman says about the Charity Commission's resources. We acknowledge that it has limited resources, which is why we have agreed with it a phased approach to the implementation of the CIO conversions. In 2015, the Charity Commission received an additional £8 million investment to support its transformation programme, and to help it become a modern, effective regulator. We believe that the commission has made very good progress with that.

I assure the hon. Gentleman that the Government are considering future funding options, including bringing the Charity Commission more into line with the funding model of other regulators. Obviously, there would have to be a public consultation before any changes were made, but we acknowledge that there are issues surrounding the funding, which we are trying to address. The Charity Commission has been heavily involved in not only how the statutory instrument was drafted, but how it will be implemented. That is why we have agreed a phased response. I assure the hon. Gentleman that we will respond shortly to the Lords report.

Question put and agreed to.

11.37 am

Committee rose.