

BAPTIST UNION OF GREAT BRITAIN (BUGB)**INCORPORATION AS A CHARITABLE INCORPORATED ORGANISATION (CIO)
FREQUENTLY ASKED QUESTIONS - FOR THE BAPTIST ASSEMBLY 13 MAY 2017****1. Why should BUGB incorporate?**

It is unusual for a charity of the size and complexity of BUGB to still be unincorporated. The Regional Baptist Associations are all incorporated, as are most of the Baptist Colleges. Incorporation will enable BUGB to enter into contracts in its own name and will provide a more robust legal structure.

Incorporation will provide protection for BUGB charity trustees from personal liability for successful claims by third parties. For example, contractual claims by suppliers or employees where the assets of BUGB are not sufficient to meet a claim; or for negligence, for example from someone who is injured as a result of a breach of duty of care by an employee of BUGB, where insurance is not available to meet the claim and BUGB assets are insufficient. This will be a positive factor in the recruitment of new trustees for BUGB. Incorporation will also protect members of BUGB Council and Assembly from potential liability, as it could be argued that given the role of Council and Assembly in decision-making, that they could potentially be liable to a successful claim by a third party claimant or trustees seeking recompense for personal liability.

2. Why is BUGB choosing the CIO model?

The BUGB consultation process with stakeholders identified some concerns about a company structure. It would bring a more business-like and corporate feel and the trustees were concerned to preserve BUGB's Baptist ecclesiology. One of the fundamental Baptist principles is the Church Members' Meeting. However, by law, companies allow for all members of the company to appoint a proxy to represent them at company member meetings. A proxy is able to attend, speak and vote at the members' meeting whether or not they are members of the particular charitable company. If BUGB were to have a company structure, any member of BUGB unable to attend Assembly could appoint and send a proxy who might not be a member of a Baptist church or even a believer to vote in their place. The decisions of members in a CIO structure are usually taken in a general meeting either by vote or by a written resolution.

Baptist churches are increasingly adopting the CIO model for themselves as it is a better fit with congregational governance. Approximately 30 Baptist churches have already registered as CIOs with a further 15 known to be part way through the process. The Association Model CIO structure provides for a membership and the rights of members are made clear in the Constitution. This model is more akin to BUGB's existing structure than a company model.

3. Will BUGB need a new Governing Document?

Yes, BUGB will need a new Constitution. A Resolution will be put to the Assembly today asking BUGB members to allow Council and the BUGB trustees to pursue the incorporation of BUGB as a CIO and to prepare a draft Constitution to be presented to the 2018 Assembly for adoption. The Constitution will reflect the existing BUGB governance structures and the way in which decision-making is carried out on behalf of the BUGB charity under the existing Constitution. BUGB stakeholders and members will be consulted in relation to the proposed new Constitution before it is put to the Assembly in 2018 for approval.

4. Will the new CIO be using the name Baptists Together or BUGB?

It is the Baptist Union of Great Britain charity which will be incorporated and not Baptists Together. The CIO will still be called the Baptist Union of Great Britain.

5. Are there any disadvantages to being a CIO?

CIOs are a relatively new entity with which lenders are less familiar. The rules relating to the insolvency of a CIO are quite new with some aspects of the dissolution regime potentially requiring review. The Charity Commission does not keep a public Register of Charges and some lenders may be cautious in lending to CIOs as secured lending is only likely to be available where the loan is secured by a Legal Charge over land registered at the Land Registry, rather than a Floating Charge which does not identify a specific asset. However, CIOs are increasingly the first choice structure for charities which do not rely on funding secured other than on property to carry out their activities.

6. Does BUGB becoming a CIO trigger a pension cessation event?

Potentially, however, like any other participating employer in the Pension Scheme, BUGB can avoid triggering a Section 75 debt and rely on a statutory easement by adhering to the Pension Trustee requirements. The Pension Trustee will need to be assured that the new BUGB CIO is at least as likely to meet the Scheme's liabilities as the old BUGB charity would have been and meets the restructuring test. The liabilities of BUGB will be transferred to the new BUGB CIO by way of an Asset Transfer Deed. The Deed will transfer the assets, liabilities and activities of the unincorporated BUGB to the new corporate charity and will provide an indemnity from the new CIO to the trustees of BUGB.

7. What about legacies left in a Will to BUGB or to Home Mission?

It is possible for the unincorporated BUGB charity to be retained as a "shell" charity to ensure that it benefits from any Will bequests. This would also have the benefit of ensuring that BUGB retains its rights as a residuary beneficiary of a number of church trust properties and its governance role in the Baptist Model Trusts.

8. How does the incorporation of BUGB affect my local Baptist church and its property?

The incorporation of the BUGB charity will not affect the way that individual Baptist church property is held. The Custodian Trustee for many Baptist churches is the Baptist Union Corporation Ltd or another Baptist Trust Corporation and not the Baptist Union of Great Britain so there will be no transfer of any assets belonging to any local Baptist church. At Assembly today BUGB members present and voting will be asked to pass a Resolution for BUGB to pursue incorporation and to draft a new Constitution.

9. Who was consulted on this proposal to change the legal status of BUGB?

In October 2016 BUGB consulted with the Baptist Pension Trust Limited, Wilkins Kennedy (BUGB Auditors) and the Baptist Insurance Company Plc together with all the Baptist Regional Associations, Baptist Colleges, the Retired Baptist Ministers' Housing Society, BMS World Mission and Baptist House Limited. In January 2017, all BUGB member churches were consulted by a letter from Lynn Green, which was sent to churches with the BUGB Annual Return.

10. Will the membership of the BUGB CIO reflect the current membership of BUGB? Will existing members need to reapply for membership of the CIO?

At Assembly 2018 it is anticipated that the members of BUGB will be asked to resolve: to adopt a new Constitution; that at the point of incorporation, the members of BUGB will automatically become the first members of the CIO; and that following the establishment of the CIO, the transfer of assets, liabilities and activities of BUGB shall be effected to the new CIO.

For further information please contact Caroline Sanderson, BUGB Legal Services Manager by email at csanderson@baptist.org.uk.