

Proposed Change to Madderty Community Association's Legal Structure

Madderty Community Association (MCA) is currently constituted as a company limited by guarantee with charitable status. Traditionally this was the main option for charities seeking the benefits of a limited liability legal structure. However, this model brings certain challenges compared to other options now available:

1. **Dual Regulation and Reporting:** MCA must comply with legal duties to both OSCR (Office of the Scottish Charity Regulator) and Companies House, which increases administrative complexity.
2. **Additional Requirements:** Recent changes require company directors to provide identification, adding further compliance steps.
3. **Dual Legal Duties:** Under the current structure, charity trustees are also company directors, meaning they have legal duties under both charity law and company law.
4. **Company Law Changes:** Changes to company law can have a disproportionate impact on charitable companies, creating unnecessary complexity and compliance burdens.

These days, a Scottish Charitable Incorporated Organisation (SCIO) is the preferred legal form for new charities wishing to benefit from a limited liability legal structure.

A SCIO offers the same protection as a company but without being a company, meaning:

1. Regulation is by OSCR only (no Companies House involvement).
2. Reporting requirements are simplified.
3. Charities with income under £250,000 may prepare a simpler set of accounts (receipts and payments).

There is a legal process that allows existing charitable companies like MCA to convert to a SCIO. When this conversion takes place:

- All assets and liabilities of MCA automatically transfer to the new SCIO by operation of law.
- The charity's existing charity number remains the same, ensuring continuity.
- There is no need for separate asset transfers or new contracts—the SCIO simply steps into the position of the former company.

The Trustees recommend that MCA proceed with this conversion to streamline administration and reduce unnecessary burdens, ensuring the charity can focus its resources on community benefit rather than compliance.

What will change?

- The governance and charitable purposes of MCA will remain the same.

- However, as part of the process, we need to prepare a new governing document suitable for a SCIO.
- The draft governing document has been carefully prepared to reflect MCA's existing governance features.

We are asking you to approve the draft and the proposed conversion. This change will help MCA operate more efficiently, reducing increasing administrative burden and stand the charity in good stead for the future.