

Closing Your Organisation - An Overview

This information sheet provides guidance for management committees who need to close down a relatively small organisation. Closing down (or winding up) an organisation can have many elements, depending on the structure, size and complexity of your organisation, but here are some basic steps to follow.

Step 1: Dissolution Clause

Consult your Governing Document (a constitution for an unincorporated association or CIO and memorandum and articles of association for a charitable company) and note the relevant constitutional procedures. This should explain how your organisation should close down, detailing the notice required for an Extraordinary General Meeting and the quorum needed for the decision to close to be agreed.

Step 2: Extraordinary (or Special) General Meeting

An Extraordinary or Special General Meeting must be called according to the details in your governing document. It may say something like:

'A Special General Meeting may be held at any time if called by the Executive Committee or if at least four members of the charity make a written request to the Executive Committee. An SGM must be called within two weeks of such a request'

This meeting is essential to authorise the process of formally closing (winding up) the charity. In the minutes of the meeting, it should be recorded that:

'The members of xxxx agree to close the organisation in an orderly and proper manner. All existing assets, liabilities and obligations will be dealt with legally and appropriately'

These two steps allow you to demonstrate that you are aware of your responsibilities within the organisation and that the closure will follow proper process. It is the committee's responsibility to deal with all the tasks that are involved in the dissolution.

Step 3: Contracts of Employment

If you have members of staff, they must be informed of the situation and employment contracts will need to be terminated. There may be a possibility that Transfer of Undertakings – Protection of Employment (TUPE) Regulations will apply. This should be fully investigated by the management committee at the point at which closure of the organisation looks to be a possibility.

Step 4: Outstanding Contracts

If the organisation has equipment leases, hire purchase agreements, service contracts, maintenance contracts or contracts to provide goods or services, it must examine details of the contracts and discuss details of the termination with the contractors. This should be done in good time.

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Step 5: Funding Arrangements

Grants, service agreements, contracts and other funding arrangements must also be appropriately dealt with. Funders should be notified and there may be a requirement to return some funds. Your auditor and accountant should also be notified of the situation once the decision to close the organisation has been made.

Step 6: Insurance

Insurance providers must be contacted and policies cancelled. There may be a cost associated with this.

Step 7: Membership and Users

Members of the organisation must be notified that it is closing down and all personal information and membership data should be properly dealt with.

Step 8: Materials, equipment and assets

All organisational assets will need to be identified and logged and the management committee must dispose of these appropriately (in line with the dissolution clause in the Governing Document).

Step 9: The accounts

Once all the above steps have been taken and the organisation is close to being dissolved, the bank must be contacted so that closing the account can be discussed. If there are any remaining funds, these must be donated to another charitable institution in accordance with the organisation's governing document. This is a decision that should be taken with the members at the SGM (Step 2).

A final set of accounts for the organisation must be produced. These should show a nil balance and the destination of any assets.

Step 10: Notifying the regulatory bodies

If your organisation is a Registered Company, you will need to contact Companies House to be removed from their register. There are certain factors that prevent a company from being struck off the register, including trading or carrying on business or changing its name within the past three months. If your organisation is a registered charity, you need to contact the Charity Commission to inform them that the charity has closed. If you are both a registered company and a charity, you should contact Companies House first.

For further help and support with closing down your organisation, contact VODA on 0191 643 2626.

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