

Summary of Rainbow Turtle becoming a SCIO Information for Rainbow Turtle members at 2021 AGM

At present Rainbow Turtle consists of two separate bodies, Rainbow Turtle the charity and Rainbow Turtle Just Trading Ltd., the shop. It was arranged this way because at the time that Rainbow Turtle was set up in 2002, it was sensible to off-shoot the risk of the trading to the subsidiary and many charities at that time weren't clear about what trading rules were in place, it is much clearer nowadays.

Having two separate bodies has some limited advantages but also has a variety of problems. The charity has trustees, but the shop has directors, although these people are usually in both organisations, they have to duplicate a lot of work. We need two sets of accounts, and it is difficult to move money between the two bodies when required, especially from the charity to the shop. Employees have to be employed by one or other of the other bodies, and this can lead to confusion. Some costs require to be shared between the two bodies and this is time-consuming and can lead to confusion.

The two separate bodies have two separate administering bodies, the charity by the Office of Scottish Charity Regulator (OSCR) and the shop by Companies House. This doubles the paperwork we need to do.

In addition, we have discovered that the trustees presently have personal liability due to the way in which the charity was originally set up. This risk makes being a trustee very unattractive at the moment.

In 2019 we asked Sylvia Morrison (the consultant we asked to help us the review of RT) to look into the options that Rainbow Turtle had in regard to its legal status, and she put forward the advantages and disadvantages of several options. The trustees decided to explore the process of Rainbow Turtle becoming a Scottish Charitable Incorporated Organisation (SCIO). There are pros and cons of changing to a SCIO and we are in the process of working out whether moving to a SCIO is worthwhile or not.

The Scottish government set up SCIOs in 2011. A SCIO allows charities to be incorporated but to be administered and regulated by a single body, OSCR. SCIOs are charitable bodies which are allowed to trade.

The advantages of Rainbow Turtle becoming a SCIO are mainly administrative, one body to employ all the staff, one body to pay all the bills, one set of accounts, etc.

A SCIO also means it is easier to transfer money from the charitable arm to the trading arm and reduce the risk of the shop failing. The SCIO would run all Rainbow Turtle business including the shop. This would mean that we would not be able to go into overdraft as charities are not allowed to do so whereas the shop could be in debt at times. We would need to fully understand the financial risks involved in moving to a SCIO before making any final decision.

Being a SCIO would allow the trustees to have limited liability and make being a trustee more attractive.

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Being a SCIO would mean the shop arm of Rainbow Turtle being taxed as a charity which should reduce our tax bill. However, if our total turnover exceeds £85,000, as our incomes become combined, we may have to re-register for VAT which will increase our admin overhead. The trustees will look closely at how moving to a SCIO will affect Rainbow Turtle financially.

Moving to a SCIO can be complicated and time-consuming. To help with the process and ensure we avoid the pitfalls, Rainbow Turtle has employed Engaging Renfrewshire to help us understand the process and take us through the different steps. They signposted us to Karina Macleod of Senscot-Legal, a social enterprise that helps charities change their legal status. She has a lot of expertise in this area and is continuing to answer our questions and ensure we get it right.

Part of moving to a SCIO requires the members to be informed of the move and will need their final approval. The membership of the Rainbow Turtle charity will be transferred over to the Rainbow Turtle SCIO. This paper is part of that information to members but also meeting the requirements of moving to a SCIO.

We have not made the final decision to move to a SCIO yet. As we go through the process different issues are raised and we need to be sure that it is the best thing for Rainbow Turtle's future. Once we have made the decision, if we do decide to move to a SCIO, you the members of Rainbow Turtle charity, would be asked to vote on the move at an EGM or at the next AGM.

Chris Johnstone

Trustee Chair
Rainbow Turtle

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