

Closing a voluntary organisation

There are many reasons why a voluntary organisation might close down. This information sheet deals with the matters that the management committee need to address in order to close down a relatively small organisation.

Confusingly, closing down is also referred to as winding up, but whichever term is used it covers the whole process of ceasing to operate.

An unincorporated association should close down using the procedure stated in the dissolution clause of their constitution. This is because there is no formal legal process for closing down a voluntary organisation unless it is registered as a company or a charity.

The lack of a formal legal process does not mean that the management committee can walk away from their responsibilities in relation to outstanding financial and employment liabilities. Identifying financial difficulties early may mean it is possible to prevent insolvency and reduce committee members' risks of personal liability. The management committee should be prepared to meet more often once they have identified that closure is a possibility and must ensure clear minutes are kept of all decisions.

As a matter of common-sense and courtesy any staff members should, from the time it becomes a possibility that the organisation might close, be kept informed of the situation. Redundancy issues should be dealt with by the management committee, in line with current employment legislation.

Failure to follow proper procedures could render the dismissals unfair and leave the organisation vulnerable to a claim through an employment tribunal.

The dissolution clause in the constitution should outline the formal steps that must be taken within the organisation in relation to the decision to close. Those steps are usually:

- The management committee meet and formally decide it is necessary to close the organisation
- The management committee recommend closure to all the members, at a Special General Meeting called for the purpose; this meeting must be quorate and must formally approve the decision
- Minutes of the meeting, which record the wording of the special resolution, must be kept. The minutes should use wording such as:

A Special General Meeting of the above named organisation, called for the purpose of recommending closure to the members was duly convened and held at (place) on (date)..... It was agreed by the members present that the organisation should close. The members of the committee were instructed to proceed with closing the organisation in an orderly and proper manner.

The minutes or resolution should indicate how the assets of the organisation will be allocated after the settling of any

outstanding liabilities.

After the meeting

- The committee should appoint someone whose job it is to ensure that all assets and liabilities are identified. This is usually the treasurer
- If there are enough funds to meet the financial obligations (staff salaries, redundancy payments, outstanding bills etc) then these are paid off, contracts terminated and remaining assets distributed as specified in the governing document
- If there are not enough funds to meet the financial obligations the management committee should seek help to ensure that the assets are properly disposed of and to reduce the risk of personal liability for them as individuals. Depending on the amount of money involved, help should be sought from the organisation's accountant / independent examiner or solicitor (Newcastle CVS may be able to advise)
- The final accounts must be prepared, before the formal winding up
- The following should be informed (if applicable to your organisation)
- employees, employees' representatives and unions
- the organisation's funders, accountant and auditor / independent examiner,

solicitor, insurers or insurance broker and bank manager

- immediate past committee members (current members should already know)
- creditors
- service users
- other organisations, such as Newcastle CVS, that are involved with your organisation
- any other organisation or person that the management committee thinks relevant

Once the organisation has been dissolved

- close the bank account
- shred any paper records you do not need to keep (see below for more information)
- clean and reformat computer hard drives so that files and documentation relating to the organisation is no longer available
- destroy headed notepaper, compliment slips etc.
- close the organisation's website and email accounts

Record retention

Most formal records relating to an organisation should be kept for seven years (the six previous years plus the year of closure itself); but there are longer timescales for some documents.

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Newcastle CVS
Higham House
Higham Place
Newcastle upon Tyne
NE1 8AF

Contact us: 0191 235 7037
information@cvsnewcastle.org.uk
www.cvsnewcastle.org.uk



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