

INDUSTRIAL & PROVIDENT SOCIETIES

Answers to Questions Posed

Operation of the asset lock

- 1 Do you agree that the option to make use of the asset lock provision should be available to all community benefit societies with the exception of charitable community benefit societies and Registered Social Landlords?

We Agree to asset lock provision being available

- 2 Do you agree that the value of all assets, except withdrawable share capital, should be included in the asset lock?

We Agree

Procedures for setting up the asset lock

- 3 Do you agree that, to apply the asset lock, societies should adopt a new, unalterable rule into their constitutions? Do you agree with the suggested wording for that rule set out in Schedule 1 to the draft Regulations?

We Agree

- 4 Do you agree with the Government's proposals for the procedures that a community benefit society will need to follow in order to set up an asset lock?

We disagree. It is very difficult to get 50% of membership to vote at any one time. It should be sufficient to have a 75% majority of qualifying members voting at a General Meeting with 21 days notice.

Regulatory Framework

- 5 How should the asset lock be enforced? Is it necessary for the enforcement framework to regulate the use of assets during the life of the society, or is it enough simply for there to be a restriction on the transfer of assets when the society dissolves, with the power to cancel the registration of a society in breach of the lock?
- 6 If consultees feel that the enforcement framework should regulate the use of assets during the lifetime of the society, should the role of enforcement authority be filled by:
 - a. The CIC Regulator
 - b. A sponsoring body, or
 - c. Another body (please indicate which)?

Dissolution

- 7 Do you believe that societies should be able to name in the role applying the asset lock a future beneficiary to whom assets should be transferred on dissolution?
Would this be more useful as an option or as a requirement?

We suggest FSA should control the monitoring of these societies with the asset lock as they already receive annual accounts. To create another body would just add to cost.

Compensation

- 8 What, if any, member interests, rights or liabilities could be altered by the application of an asset lock? Do you agree with the proposed compensation regime for this?

No response provided.

Practical issues

- 9 Are you going to use the asset lock? Have the issues we have raised in this document influenced your views on whether or not to apply the lock? How?
- 10 Can you:
- a. Identify any costs or benefits for your organisation or more generally resulting from these proposals?
 - b. Quantify these costs or benefits
- 11 Do you have any comments or suggestions on the drafting of the Regulations at Annexes E and F?

For most societies the application of the asset lock is not seen as significantly beneficial or costly, and should remain voluntary unless the society converts to a company when it should be compulsory.

Further Questions

- 12 Do you have views on the preferred location for the registration function for Industrial and Provident Societies?

We believe this process should be controlled by the FSA

- 13 Do you agree that the audit thresholds for non-charitable societies should be raised to bring them into line with those for companies and CICs —ie £5.6m turnover and £2.8m assets?

Yes, the level should be raised especially as proposed audit ethics standards may make it impossible for an accountant to do both the accounting and auditing work for small societies such as Working Men s Clubs and British Legions. We would also suggest that audits be not required for such entities unless 10% of membership requests it, i.e. not require the society to opt out of audit.

- 14 Can you:
- a. Identify any costs or benefits for your organisation or more generally resulting from these proposals?
 - b. Quantify these costs or benefits?

If thresholds are not revised then, given to two different people will have to provide the accounting and auditing work separately, there will be a substantial increase in audit costs.