The range and quantity of legislation affecting the voluntary sector makes it difficult to keep up to date with the obligations placed on voluntary organisations. Whether taking on staff, leasing premises, tendering for service contracts, taking out insurance, operating as a charity or changing the organisation’s legal structure, staff and committee members need to understand the law.

First published in the mid 1980s and now in its eighth edition, this bestselling guide has been completely revised to cover all recent relevant legislation. This includes changes in charity and company law, environmental assessment, risk assessment, licensing, contracts and grant funding agreements, in addition to key changes in employment legislation.

As well as explaining the law, the publication provides best practice on: health and safety, equal opportunities and diversity, data protection, confidentiality and email and internet use. It also has a revised section on the ‘green office’ that details how voluntary organisations can engage with others in combating climate change, reducing energy consumption and managing procurement.

Voluntary but not Amateur is an accessible and indispensable guide for anyone involved in voluntary organisations who wants to understand how the law affects their organisation.

‘An essential tool – comprehensive, easily accessible answers to every question you’ve ever had about running a charity, all in a clear layout with checklists and signposts to further information.’
Rebecca Hilsenrath, Chief Executive, LawWorks

‘Since its publication in the 1980s VBNA has been absolutely essential to me, and a book I genuinely recommend to anyone wanting to run a voluntary group.’
Rodney Hedley, Secretary to the Trustees, Hilden Charitable Fund

‘With an emphasis on best practice this practical and accessible publication has stood the test of time.’
David Tyler, Chief Executive, Community Matters

‘London Voluntary Service Council originally developed VBNA and is delighted that this vital resource for the voluntary and community sector has been updated and will reach a wider audience now that it is published by DSC.’
Elizabeth Balgobin, former Chief Executive, London Voluntary Service Council

Ruth Hayes and Jacki Reason

A guide to the law for voluntary organisations and community groups

BWB In association with Bates Wells and Braithwaite
Eighth edition

Voluntary but not Amateur

A guide to the law for voluntary organisations and community groups

Ruth Hayes and Jacki Reason

In association with Bates Wells and Braithwaite

Contributing author

Gareth G Morgan – Chapter 8: Financial management

DIRECTORY OF SOCIAL CHANGE
Contents

About the authors xiii
About the Directory of Social Change xiv
The history of Voluntary but not Amateur xv
Acknowledgements xvi
Foreword xvii

Chapter 1:
Before you start – legal structures and charitable status 1

Legal structures 1
Unincorporated associations 2
Charitable trusts 3
Limited companies 4
Community interest companies 5
Charitable incorporated organisations 6
Industrial and provident societies 7
Changing the structure 8
Local authority influence 11

Charitable status 11
What is a charity? 11
Excepted charities 12
Exempt charities 12
Charitable purposes 12
Public benefit 14
Dual registration 14
Advantages 15
Restrictions 16

Minimising the risk of personal liability 20
Liability of committee members 20

Chapter 2:
Setting up and running an organisation 22

Setting up the organisation 22
Drafting and agreeing the constitution 22
Models 34
Adopting the constitution 34
Registering as a charity 36
The committee 37
Documentation 40
Setting up registers 40
Noting important dates 42
Contents

Running the organisation 43
  Meetings 43
  Changes in organisational membership 44
  Changes in committee membership 45
  Moving the administrative office 46
  Annual accounts, annual reports and annual returns 46
  Changes to the constitution 47
  Dealing with crises 48

Equality and diversity policy 49
  Legal obligations 49
  The policy 49

Checklist: The first committee meeting 53

Checklist: Annual general meetings 55

Checklist: Electing committee members 56

Checklist: Committee members’ roles and responsibilities 57

Chapter 3:

Employees’ and workers’ rights 61

The definitions 61
  Employees and workers 61
  Volunteers 61
  Agency staff 62
  Seconded staff 62
  Self-employed people 62
  Trainees 63

Employment rights: a summary 63
  Workers’ rights 63
  Additional rights for employees 64

Contracts of employment and written statements 66
  Contents of the contract 66
  Statement of employment particulars 66

Deciding on terms and conditions 68
  Pay 68
  Working time, holidays and time off 69

Discrimination 71
  Context 71
  Who is protected 72
  The scope of equality legislation 74
  Strengthening enforcement 79
  Other equality legislation 79
  Fixed-term employees 81
  Part-time workers 82
Equal opportunities in employment: good practice 83
Monitoring effectiveness 83

Family legislation 84
Maternity 84
Paternity 86
Adoption 87
Parental leave 88
Dependants’ leave 89
Flexible working arrangements 90
Dignity at work 93

Disciplinary and grievance policy and procedures 95
Defining the scope of the policy 95
Developing procedures 95
Grievance procedures 96
Representation 97

Unions 97
Workers’ rights 97
Union recognition 97
Union agreements 98
The rights of recognised trade unions 98
Union officials 99
Time off for union learning representatives 99
Employee representatives 99
Consultation with employees 99
The Information and Consultation of Employees Regulations 2004 100

Taking on other organisations’ staff 100
Information 101
Consultation 101
An economic, technical or organisational justification 101
Pensions 101

Public interest disclosure – ‘whistle-blowing’ 102

Redundancy 102
Notifying those involved 103
Selection for redundancy 105
Offers of alternative work 105
Time off to look for work 106
Redundancy pay 106
Good practice 106
Claiming money owed 107

Providing references 107

Employment tribunals 108
Chapter 4:

Recruiting and paying people

Making an appointment
  The legal requirements
  Reviewing posts
  Selection panels
  The recruitment process
  Probationary periods
  Taking on freelance and self-employed workers and consultants
  Taking on volunteers
  Restrictions on employing people

Paying people
  Payslips
  Deductions
  Employees leaving
  At the end of the tax year
  Filing accounts
  Temporary and casual staff
  Students
  Volunteers
  Employers’ childcare contributions
  Maternity, paternity and adoption pay and benefits
  Outsourcing payroll services

Sick pay and leave
  Statutory sick pay
  Sickness/ill health policies and procedures

Pensions
  State pensions
  Additional provision
  Occupational pension schemes
  Stakeholder pensions
  Personal pension plans
  Group personal pensions
  Recent and forthcoming changes
  Further information

Keeping records

Monitoring emails and internet access
  Developing an internet/email policy

Reorganisation
  Unfair dismissal
  Procedures for reorganisation
Chapter 5:  
Health and safety  

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Legislation</td>
<td>144</td>
</tr>
<tr>
<td>Regulations</td>
<td>144</td>
</tr>
<tr>
<td>Enforcement</td>
<td>144</td>
</tr>
<tr>
<td>Responsibilities of committee members and staff</td>
<td>144</td>
</tr>
<tr>
<td>General duties under the HSW Act</td>
<td>145</td>
</tr>
<tr>
<td>Duties to employees</td>
<td>145</td>
</tr>
<tr>
<td>Home-based workers</td>
<td>145</td>
</tr>
<tr>
<td>Duties to non-employees</td>
<td>145</td>
</tr>
<tr>
<td>Duties to users of premises</td>
<td>146</td>
</tr>
<tr>
<td>Duties of employees</td>
<td>146</td>
</tr>
<tr>
<td>Other general requirements of the HSW Act</td>
<td>146</td>
</tr>
<tr>
<td>Health and safety policy statement</td>
<td>146</td>
</tr>
<tr>
<td>Health and safety poster</td>
<td>147</td>
</tr>
<tr>
<td>Safety representatives</td>
<td>147</td>
</tr>
<tr>
<td>Consultation with employees who are not represented by a recognised trade union</td>
<td>147</td>
</tr>
<tr>
<td>Safety committees</td>
<td>148</td>
</tr>
<tr>
<td>Regulations under the HSW Act</td>
<td>148</td>
</tr>
<tr>
<td>The management of health and safety at work</td>
<td>148</td>
</tr>
<tr>
<td>Workplace health, safety and welfare</td>
<td>153</td>
</tr>
<tr>
<td>Personal protective equipment</td>
<td>155</td>
</tr>
<tr>
<td>Work equipment</td>
<td>156</td>
</tr>
<tr>
<td>Manual handling</td>
<td>157</td>
</tr>
<tr>
<td>Managing asbestos</td>
<td>158</td>
</tr>
<tr>
<td>Display screen equipment</td>
<td>158</td>
</tr>
<tr>
<td>Fire safety</td>
<td>160</td>
</tr>
<tr>
<td>Other health and safety laws and regulations</td>
<td>162</td>
</tr>
<tr>
<td>Smoking</td>
<td>162</td>
</tr>
<tr>
<td>Electrical apparatus</td>
<td>163</td>
</tr>
<tr>
<td>Hazardous substances</td>
<td>163</td>
</tr>
<tr>
<td>First aid</td>
<td>164</td>
</tr>
<tr>
<td>Occupational road risk</td>
<td>164</td>
</tr>
<tr>
<td>Working hours</td>
<td>165</td>
</tr>
<tr>
<td>Noise</td>
<td>165</td>
</tr>
<tr>
<td>Corporate manslaughter</td>
<td>165</td>
</tr>
<tr>
<td>Duties relating to premises</td>
<td>166</td>
</tr>
<tr>
<td>Public health laws</td>
<td>166</td>
</tr>
<tr>
<td>Accidents and diseases</td>
<td>167</td>
</tr>
<tr>
<td>Health and safety policies</td>
<td>167</td>
</tr>
<tr>
<td>Stress</td>
<td>168</td>
</tr>
<tr>
<td>Checklist: Health and safety policy</td>
<td>169</td>
</tr>
<tr>
<td>Work-related stressors</td>
<td>172</td>
</tr>
</tbody>
</table>
Chapter 6:

Premises and environmental concerns 173

Unincorporated organisations 173

Incorporated organisations 173

Types of property interests 173
  Mortgages for freehold and long leasehold properties 173
  Leasing premises 174
  Holding a licence 175

Finding premises 175
  Access for disabled people 176

Deciding about premises 178
  Points to check in a lease or licence 178
  Is the lease or licence right for you? 181

Signing deeds, including leases and mortgage agreements 181
  Unincorporated association and trusts 181
  Incorporated organisations 182

Sharing premises 182
  Those belonging to another organisation 182
  Those belonging to your organisation 183
  Co-locating 183
  Hiring out parts of premises 184

Planning and building regulations 185
  Development 185
  Use of buildings and land 185
  The appearance of a building 186
  Listed property and buildings in conservation areas 186
  Tree preservation orders 186
  New buildings 186
  Obtaining planning permission 186
  Building regulations 187

Paying rates 187
  Mandatory rate relief 188
  Discretionary rate relief 188
  Empty rate relief 188

Disposing of premises 188
  Requirements of Section 36 of the Charities Act 1993 188
  Documentation 189

Equipment leases 190
  Types of agreement 190
  Hire purchase 190
## The green office
- Legislation: 191
- Voluntary sector environmental organisations: 194
- Environmental policy and practice: 194

## Model deed of appointment
- Background: 200
- Agreement: 200

## Chapter 7: Insurance
### General rules
- The extent of the duty: 202
- Who should be covered?: 202
- Incorporated organisations: 202
- Unincorporated organisations: 203
- Material facts: 203
- Exclusions: 203
- Amount of cover: 203
- Completing the proposal: 204
- Liability: 204
- Making a claim: 204

### Types of insurance
- Compulsory insurance: 204
- Insurance that may be required: 205
- Discretionary insurance: 208

### Risk management: 210

### Further information: 210

## Chapter 8: Financial management
### Legal requirements – accounts
- Charities: 211
- Accounting records: 212
- Annual accounts: 213
- Audit or examination of accounts: 216
- Trustees’ annual reports: 218
- Public access to accounts: 220

### Legal requirements – PAYE: 221

### Legal requirements – value added tax: 221
Contents

Legal requirements – income tax and corporation tax 223
  Charities 223
  Non-charitable organisations 224

Gift Aid 224

Duties of the committee – financial procedures and responsibilities 224
  Specific duties of the treasurer 225
  Financial systems and procedures 226

Budgets and cash flow 228
  The budget process 228

Bank accounts 230

Record keeping 231
  Checking the records 232
  Bank statements and bank reconciliation 232

Charities’ reserves 233

Working with auditors or independent examiners 233
  Responsibilities of the auditor or examiner 233
  Appointing an auditor or examiner 235

Chapter 9:

Services and activities 237

Equal opportunities in service delivery 237
  Legal requirements 237
  Working for public authorities 240
  Good practice 240

Contracting to provide services 244
  Types of funding agreements 244
  The contracting process 245
  Should an organisation take on a service? 245
  Liability 248
  Main headings of a contract 248

Handling data and information 249
  Data protection 249
  Electronic marketing 251
  Freedom of information 252
  Copyright 252
  Defamation 253

Activities 254
  Meetings 254
  Processions 255
  Protest and private land 255
  Further information 256
  Loudspeakers 256
Contents

Street parties 257
Selling, preparing and storing food 257
Licensing premises 257

Campaigning and political activity 259
Trustees’ duties 259
Permitted activities 259
Campaigning methods 260
Elections 260
Use of premises 260
Legislation 260
Further information 261

Fundraising 261
Regulation 261
Fundraising statements 261
Right to a refund 262
Trading 262
Exempt fundraising events 262
Gift Aid 262
Payroll giving 263
Gifts of shares and securities 263
Collections 263
Sponsored activities 265
Lotteries, raffles and bingo 265
Minibuses and coaches 268

Confidentiality and information sharing 269
Confidentiality policies 271

Human Rights Act 272
Organisations with public functions 272

Chapter 10:
Closing down 273

Glossary of terms used 273

Is closure necessary? 275
Cash flow forecast 275
Balance sheet 275

Planning for survival 276
Reducing staff costs 276
Reducing costs of premises 277
Reducing other costs 277
Increasing income 278
Mergers 279
The rescue plan 280
Winding up
Solvent organisations 281
Insolvent organisations 283
Liability for debts 286
Notification of closure 286
Record retention 287

Glossary 289

Contacts 291

Index 297
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About the Directory of Social Change

DSC has a vision of an independent voluntary sector at the heart of social change. The activities of independent charities, voluntary organisations and community groups are fundamental to achieve social change. We exist to help these organisations and the people who support them to achieve their goals.

We do this by:

- providing practical tools that organisations and activists need, including online and printed publications, training courses, and conferences on a huge range of topics
- acting as a ‘concerned citizen’ in public policy debates, often on behalf of smaller charities, voluntary organisations and community groups
- leading campaigns and stimulating debate on key policy issues that affect those groups
- carrying out research and providing information to influence policymakers.

DSC is the leading provider of information and training for the voluntary sector and publishes an extensive range of guides and handbooks covering subjects such as fundraising, management, communication, finance and law. We have a range of subscription-based websites containing a wealth of information on funding from trusts, companies and government sources. We run more than 300 training courses each year, including bespoke in-house training provided at the client’s location. DSC conferences, many of which run on an annual basis, include the Charity Management Conference, the Charity Accountants’ Conference and the Charity Law Conference. DSC’s major annual event is Charityfair, which provides low-cost training on a wide variety of subjects.

For details of all our activities, and to order publications and book courses, go to www.dsc.org.uk, call 08450 777707 or email publications@dsc.org.uk
The history of Voluntary but not Amateur

As the ‘8th edition’ on the front cover suggests, Voluntary but not Amateur (VBNA) has a long history. A glimpse through early editions provides for fascinating reading. The most striking feature is the rapid escalation in VBNA’s size. The first edition, published in 1985 in pillar box red, was a mere 68 pages, with text printed in 12 point and with cartoons throughout following the fate of the Crumbly Mansions Community Association as it grappled with the law. Over time the cartoons disappeared and the print size decreased to make way for more text. By the time of the fifth edition in 1998 the book had grown to such a size as to demand an index. The current edition is more than four times the size of the first VBNA.

VBNA’s widening girth reflects an expansion in the law. Early editions, for example, covered health and safety legislation on one page, whereas the subject now demands a dedicated chapter; maternity rights were dealt with in a column and paternity rights in a couple of sentences as a matter of good practice. Alongside new legislation came a clutter of acronyms such as SORPS, TUPE, CRB, PUWER and WEEE that now need explaining. The voluntary sector itself played a role in bringing about changes in the law. For example, its activities can no longer be summarised under the ‘four heads of charity’ described in previous editions, but now require thirteen, and the growth in the social enterprise movement saw the creation of community interest companies. VBNA also provides advice and information on good practice, again giving an insight into the concerns of the time. Early editions had whole chapters on using computers (including the ambiguous headings: ‘Manipulating figures’ and ‘Choosing a dealer’). They also had a chapter on fundraising – remember the Manpower Services Commission and the Urban Programme? These have been replaced with sections on 21st-century concerns such as contracting to provide services, use of e-mail and internet policies, the green office and developing family-friendly working practices.

VBNA has always been a production with a cast of thousands: on page xiv are listed the many people who have helped us to put together the present edition. But special thanks must go to the London Voluntary Service Council, which dreamt up the idea of VBNA back in the 1980s (when we were both working in the Council’s Research and Information Department) and published the first seven editions, before graciously handing the publication over to the Directory for Social Change in 2007. Ultimately, though, VBNA is a tribute to every one of those heroic staff and committee members who over the past 20 years have learned to manage the fast-growing complexity of voluntary sector law and good practice.
Acknowledgements

The Directory of Social Change acknowledges the huge part that London Voluntary Service Council has played in the history of *Voluntary but not Amateur* and we are very pleased to have the opportunity to publish the eighth edition.

DSC would like to thank Bates Wells & Braithwaite for supplying their legal expertise. In particular: Principal Legal Editor, Sarah Bull; and Legal Editors: Rosamund McCarthy, Malcolm Robson, Alice Faure Walker, Bill Lewis, Siobhan McGoay, and Ben Maitland.

The authors would like to thank the following individuals and organisations for their invaluable input.

**Shemle Begum** (Liberty) – meetings, processions and protests; **Charity Commission** – trustee indemnity insurance, campaigning, charitable collections; **Chris Chilton** (Pensions Trust) – pensions, **Chris Church** – green office; **Jacky Crowley** (Health @ Work) – health and safety; **Amanda Eastwood** (Community Transport Association) – minibuses and coaches; **Victoria Howse** (Ethical Property Foundation) – premises; **Bill Hyde** (Community Transport Association) – minibuses and coaches; **Alan Lawrie** – service contracts; **Ursula Murray** – equal opportunities and diversity; **Ken Pennykid** (Keegan & Pennykid) – insurance; **Satinder Pujii** (Directory of Social Change) – paying people, **Margaret Sharkey** (London Hazards Centre) – health and safety; **Jill Thornton** (Directory of Social Change) – paying people; **Paul Ticher** – data protection and confidentiality; **Frank Ward** (Community Matters) – licensing and gambling.
Foreword

In the 24 years since the first edition of Voluntary but not Amateur was published, both the voluntary sector and wider society have seen extraordinary changes that were unimaginable in 1985. Coincidentally, we were in the midst of recession then and today find ourselves in another, which may well turn out to be even worse. Charities and voluntary organisations will be needed more than ever, but will face a tough climate for fundraising. Also media coverage will undoubtedly be harder to come by as other issues take the front pages.

Faced with the dual problems of escalating demand for services and increasingly stretched income, the sector needs resilience, effective governance and a first-principles approach. One of the strengths of Voluntary but not Amateur is that it summarises the processes people need to master when involved in running a voluntary organisation. It captures both best practice scenarios and legal requirements in one comprehensive volume, helping voluntary organisations understand everything from organisation management to employment law, campaigning and fundraising. It provides a back-to-basics resource for those running voluntary and charitable organisations, as well as a comprehensive update of recent legislation.

In 2009, the sector needs to work even more effectively than before, and so it has to be as clear about its role and as focused on its direction as possible. It must ensure its resources go where they will make the most impact, not on unnecessary duplication or ineffective recruitment practices.

We need a robust and well-equipped voluntary sector that will survive the tests ahead. Planning for these is a real challenge in itself, especially for smaller organisations. Voluntary but not Amateur is an excellent place for them to start.

I am delighted to welcome this new edition, and hope it will be used even more widely than its predecessors.

Baroness Neuberger DBE
Chapter 1

Before you start – legal structures and charitable status

This chapter examines the advantages and disadvantages of each legal structure open to a voluntary organisation. It then describes which organisations are eligible for charitable status and outlines the restrictions of such status. Reference is made to a number of Charity Commission publications (usually indicated by a CC or RR reference) which, unless otherwise indicated, are available from www.charity-commission.gov.uk or 0845 3000 218 (textphone 0845 3000 219).

Legal structures

The legal structures for a voluntary organisation are:

<table>
<thead>
<tr>
<th>Unincorporated</th>
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<tr>
<td>Unincorporated association</td>
<td>Charitable incorporated organisation (expected to be available during 2009)</td>
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<tr>
<td>Charitable trust</td>
<td>Company limited by guarantee</td>
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<td>Company limited by shares</td>
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<td>Community interest company</td>
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<td></td>
<td>Industrial and provident society</td>
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Any organisation, whatever its size, needs a set of governing rules defining what it is set up to achieve and including its internal rules and procedures (outlined in chapter 2). The governing rules are set out in the governing document. The precise form of this depends on the legal structure adopted.

<table>
<thead>
<tr>
<th>Legal structure</th>
<th>Governing document</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unincorporated association</td>
<td>Constitution or rules</td>
</tr>
<tr>
<td>Charitable trust</td>
<td>Trust deed, deed of trust or declaration of trust</td>
</tr>
<tr>
<td>Charitable incorporated organisation</td>
<td>Constitution</td>
</tr>
<tr>
<td>Company limited by guarantee</td>
<td>Memorandum and articles of association</td>
</tr>
<tr>
<td>Company limited by shares*</td>
<td>Memorandum and articles of association</td>
</tr>
<tr>
<td>Community interest company</td>
<td>Memorandum and articles of association</td>
</tr>
<tr>
<td>Industrial and provident society</td>
<td>Rules</td>
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</tbody>
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* A not for profit company may be limited by shares, although this is rare. It is extremely unusual for a company limited by shares to have charitable status.

Throughout the book, we will be using the term ‘constitution’ to cover all forms of governing document. Constitutions are described in detail in chapter 2.

Most voluntary organisations will be run by a management committee, which can be known by a number of titles, including the following:

- committee
- executive committee
- management committee
- council of management
- board of trustees (most commonly used by charities)
- board of directors (most commonly used by companies).
Unincorporated associations

An unincorporated association is not required by law to seek approval of any kind before setting up, nor does it have to register with any regulatory body unless it is legally charitable (see Charitable status, page 11). However, it may still have to register with some bodies before starting to operate: for example, HM Revenue & Customs (HMRC), the local environmental health department, the Commission for Social Care Inspection or Ofsted. An unincorporated association with a small income, which does not intend to employ staff, enter into contracts or acquire property, may need only a set of basic rules. These should state the association’s aims, the powers it has to achieve them and its management procedures.

Advantages

An unincorporated association is essentially a membership organisation and can draw up its own democratic constitution setting out the rules by which it will be run. It is quick and cheap to set up: unless you are applying for charitable status no other agency need be involved and there are no fees to pay, unless you take legal advice about the constitution. It is also simple and cheap to run: you do not have to submit accounts (unless the organisation is a charity, or accounts are required by a funder). It can generally be wound up more easily than companies, charitable incorporated organisations (CIOs) or industrial and provident societies (IPSSs), provided the constitution allows for this (see chapter 10).

Unincorporated associations can register as charities and gain all the advantages of charity status listed later in this chapter. They must generally register if their objects are charitable and their annual income is over £5,000.

Disadvantages

An unincorporated association has no separate legal existence, and remains for most purposes a collection of individuals. As a result, in most cases:

- it cannot acquire property in its own name; property must be held by individuals or an incorporated body acting on its behalf
- legal proceedings cannot be taken by the association in its own name, but must be taken by individuals representing it
- its activities may be restricted as funders may prefer to donate larger sums to organisations with a more formal structure
- it may find it difficult to borrow money. Many banks and other financial institutions will insist on incorporation before providing loan finance
- individual members of the management committee can be held personally responsible for the association’s obligations and debts (see Liability of committee members, page 20).

As a charitable unincorporated association develops, its trustees may apply to the Charity Commission to become an incorporated body of trustees. If the Commission accepts the application, this overcomes the first two disadvantages listed above, as the charity property is then held in the name of the association and the trustees can enter into contracts or take proceedings in the name of the incorporated body. See Incorporation of charity trustees (CC43) for further details. Applications must be made on the form in the application pack How to apply to the Charity Commission for a Certificate of Incorporation (CHY 1093), available from www.charity-commission.gov.uk.

Note that becoming an incorporated body of trustees is not the same as the unincorporated association converting to an incorporated organisation (known as ‘incorporation’: see Changing from unincorporated to incorporated, page 8). In particular, only incorporation will protect committee members against being personally responsible, in most situations, for the association’s liabilities and debts. If liability of management committee members is a concern, you should seriously consider forming an incorporated organisation (see Minimising the risk of personal liability, page 20).