



National Council Meeting October 2026

GPC Agenda Item No 8

Moving the Association from an Unincorporated - Not For Profit Organisation to a Company Limited by guarantee

Section 1: Introduction

- 1.1 At a meeting of Council held on 25 March 2026 the General Purposes Committee (GPC) were tasked to look at the merit of moving the Association from its current structure being an **Unincorporated Not for Profit Organisation** to a **Company Ltd by guarantee**.
- 1.2 Understanding the 'Unincorporated - not for profit organisation' (UNFPPO) advantages and disadvantages when measured against the advantages and disadvantages of a Company Limited by Guarantee is crucial when considering establishing or working with such entities and in the Associations particular case, moving from one to the other.
- 1.3 This paper therefore considers the benefits and drawbacks of the not-for-profit model and a Company Limited by Guarantee which should allow Council members to make an informed decision.
- 1.4 Currently the Association is an unincorporated group which is legally understood as a collection of individuals. This means that an unincorporated group has no legal identity outside of the people who are on its management committee. As a result, the members of an unincorporated group are personally liable for the group's actions. As the Association is part of an existing unincorporated group it must be understood and Council member aware of this liability and carefully assess the risks faced.
- 1.5 Unincorporated groups cannot sign contracts. Instead, a member must enter the contract in their own name.
- 1.6 Generally speaking an unincorporated structure is most appropriate for groups such as our Association which:
 - Have low income.
 - Do not intend to employ staff or acquire property.
- 1.7 An Unincorporated not for profit organisation is a type of business structure that doesn't have shareholders or issue shares. Instead, it is owned by members who guarantee to contribute a set amount towards the company's debts if it is wound up. UNFPPO's are particularly popular for organisations such as our Association that operate for the public (members) good rather than for profit.

1.8 While often used interchangeably, there is a subtle distinction. “Non-profit” generally refers to an organisation that doesn’t distribute profits to its stakeholders, whereas “not-for-profit” emphasises that generating profit isn’t the organisation’s primary purpose. In practice, the terms are largely synonymous.

1.9 Members of the Associations General Purposes Committee (GPC) considered the advantages and disadvantages of this proposal and report their findings below.

2.0 Advantages of an ‘Unincorporated not for profit organisation as the Association is currently.

2.1 The advantages are seen as follows: -

- Generally, but not specifically, in respect of the Association is that one of the primary benefits of not-for-profit organisations is their ability to access grants from government funding. Many grant-making bodies and government agencies prioritise funding for not-for-profits that address specific social needs. It should be noted however that the Association has not to date sought a grant from government but that is not to say it might not do so in the future for a specific need.
- Not-For-Profit organisations often enjoy a higher level of trust and credibility among donors and stakeholders compared to for-profit businesses.
- Operating as a not for profit sends a powerful message to stakeholders that the Association exists for a mission, not for private gain. This credibility often attracts donations, grants, and partnerships more easily than private companies. Communities, local councils, and funders tend to support organisations they can trust. In a crowded sector, credibility is a decisive advantage.
- According to a 2023 survey 61% of respondents trust not-for-profits organisations, compared to 48% for businesses. This trust can translate into increased donations, volunteer support, and partnerships.
- A unique advantage of ‘not for profit’ is the keen sense of mission that inspires Council and members as when working towards a clear social purpose it often increases commitment and loyalty. Members are motivated not by financial gain but by shared values, creating a strong culture of collaboration.
- A key feature of not-for-profit organisations is the “asset lock,” which prevents assets from being distributed to individual members for personal gain. This ensures that all resources are used to further the organisation’s mission. This mission-driven structure reinforces the Associations commitment to its purpose and provides reassurance to members, any donors and other stakeholders such as fire brigades.
- The current Association means of governance is simple to establish, flexible, and straightforward to dissolve.

3.0 Disadvantages of ‘Unincorporated not for profit organisation’.

3.1 The disadvantages are seen as follows: -

- The governance structure of not-for-profits, which typically involves a board of trustees or in our case a Council can sometimes lead to slower decision-making. Decisions may require consensus from members, which can slow down the response to changing circumstances or emerging opportunities.
- While Council members (trustees) serve voluntarily, the role carries significant risks:
- Personal liability – In unincorporated structures, trustees can be personally liable for debts or legal claims.
- Regulatory investigations – Where and when appropriate The Charity Commission has the power to investigate mismanagement or misconduct.
- Reputational risks – Council Members may be personally criticised if the organisation fails to act ethically or responsibly.
- This means trustee governance systems, and risk management are essential for protecting both individuals and the organisation. The policy for managing NARFSP News is an example of a governance system that reduces the risk of litigation.
- With no shareholders there can be fewer ownership disputes, however, governance of the Association can still be a challenge. In our case (over 6000 members) achieving consensus on key decisions can take time and effort potentially slowing progress on decision making and implementation.

4.0 Disadvantage of a Company Limited by Guarantee (CLG)

4.1 The disadvantages are seen as follows: -

- Being a CLG the Association is less likely to be considered for grants and funding opportunities.
- CLGs must comply with the same legal requirements as other registered companies. This includes filing annual accounts and submitting confirmation statements to Companies House. These responsibilities can be time-consuming however the production of accounts is already undertaken by the Associations current treasurer.

5.0 Advantage of a Company Limited by Guarantee (CLG)

5.1 The main and crucial advantage is seen as follows: -

- Charities often operate as companies limited by guarantee. This is so they can achieve their mission while benefiting from limited liability and legal status.

6.0 Setting up a Company Limited by Guarantee (CLG)

6.1 To set up a CLG the Association would need to action the following: -

- A name for the Association must be unique and comply with UK naming regulation. In our case the existing name 'National Association of Retired Fire Service Personnel (NARFSP)' would be appropriate but it would need to be confirmed that no such other organisation of the same name exists.
- Appoint directors. CLG must have at least one director and one member but these can be the same person. The president and vice president may be considered appropriate in the Associations case.
- Prepare draft Articles of Association with legal assistance if necessary detailing the Associations rules, objectives and governance structure. The existing Constitution reformatted is unlikely to be sufficient to meet this need of a Company Ltd by Guarantee
- Articles of Association serves as a rule book for our Association detailing the rights of members, the power and duties of directors and the process for making significant decisions. Every UK company must have Article of Association when registering with Companies House.
- Register with Companies House along with the current fee and associated documents.
- Obtain a Company number. Once registered the Association will receive a unique company number and certificate of incorporation.
- A Registered Office address will be required which would be the official office address of the Association where all official documentation will be sent. It must be in the UK but no member such as the president of the Association or the Association itself needs to be based at the address. In the Associations case it can be the Erdington Office subject to West Midlands Fire Service giving approval for one of their fire stations to be used in this way. Or alternatively, subject to approval, the Associations current accountants address could be used for this purpose.

- 7.0 **How it applies to NARFSP and its legal structure.**
- 7.1 The purpose of this section is to provide members of Council with a general overview of NARFSP's current legal structure and an understanding of some of the pros and cons of this structure and the possible alternatives. Any decision to change the legal structure would need detailed advice from solicitors and accountants.
- 7.2 **What is NARFSP's legal structure at this time?** NARF is an unincorporated association. An 'unincorporated association' is an organisation set up through an agreement between a group of people who come together for a reason other than to make a profit (for example, a voluntary group or a sports club).
- 7.3 **Why was NARFSP set up as an unincorporated association?** At the time, an unincorporated association was the most common legal structure for organisations of this nature.
- 7.4 **What are the advantages of an unincorporated association?** As said in the sections above there is flexibility in an unincorporated association. NARFSP currently can easily change its constitution and objectives.
- 7.5 **What are the disadvantages of NARFSP being an unincorporated association?** Over the years, legislation has changed and society has become more litigious exposing unincorporated associations to risk. *The main disadvantage is that individual members of the association are personally responsible for any debts, liabilities and contracts entered.* In addition, investments cannot be held in the name of the organisation but instead must be held in the names of two or more members.
- 7.6 **Does NARFSP have insurance to cover any claims?** There is insurance cover, but there is always a risk that an insurer will try to avoid a claim or that a claim is capped, exposing members to risk of a financial contribution.
- 7.7 **NARFSP's branches are independent of each other. If there was a claim against a branch, would all branches be at risk?** It is arguable that branches are not just autonomous but are separate entities. However, a claimant may well try to claim against NARFSP, putting all branches at risk.
- 7.8 **If a member only pays their subscription and does not involve themselves in the running of a branch, would that member still be responsible?** The short answer is yes; each member has equal risk. A claim may well be made against the branch officials, but they could in turn claim against each member.
- 7.9 **What is the alternative?** Many unincorporated associations are now changing their structure to become a Company Limited by Guarantee. This is a company registered at Companies House, but it has members rather than shareholders. The members agree to pay a fixed sum should the company be dissolved which is usually £1.00.
- 7.10 **What are the advantages of NARFSP being incorporated?**
- The members have limited liability (see 7.9 above) which means, subject to legal confirmation, that they are only personally liable to the limit of their guarantee.

- The directors of NARFSP will have to comply with the statutory duties in the Companies Act 2006. This enables better governance and provides members with a way of enforcement against the directors on behalf of the company.
- 7.11 **Would the name of the Association change?** It would be National Association of Fire Service Personnel at Companies House but could still be NARFSP or NARF to members.
- 7.12 **Who would be the company directors?** Members of Council would become directors.
- 7.13. **Would the directors be paid?** It is unusual for directors of Companies Limited by Guarantee to be paid a salary. They can however claim their out-of-pocket expenses.
- 7.14 **If it was decided to incorporate, what would the process involve?** The process would involve briefly as outlined in 6.1 above
- 7.14.1 Obtaining approval at an AGM. Members at the AGM would be asked to approve in principle the concept of incorporation.
- 7.14.2 If approval is given at an AGM for the Association to become a Company Limited by Guarantee instruct solicitors to assist in the drafting of the Articles of Association and any Rules of the new company or checking any draft Rules prepared by Council members.
- 7.14.3 Ensure the Articles of Association are approved by a ballot of members and then form the limited company.
- 7.15. **What are NARFSP's responsibilities of being a Company Limited by Guarantee?**
- 7.15.1 The responsibilities are the same as a limited company with shareholders and these are briefly: -
- Running the company in accordance with the Companies Act 2006 and the company's articles.
 - Registering for business taxes, including Corporation Tax (and VAT, if applicable)
 - Registering as an employer if the company has employees which NARFSP does not have currently.
 - Where appropriate preparing annual accounts for Companies House Preparing Company Tax Returns and accounts for HMRC Filing a confirmation statement at Companies House every year Paying Corporation Tax & VAT, all where applicable)
 - Maintaining a Registered Office address
 - Keeping statutory registers and accounting records
 - Reporting any change of company details

- Making statutory registers available for public inspection.
- 7.16 **Would Branches have protection and limited liability?** Yes, the Articles of Association can be drafted to enable branches to have autonomy but still be part of the company. All members of NARFSP would be members of the company limited by guarantee. Alternatively, branches could remain autonomous and independent and if they wish the individual branch could go through the process of incorporation as a separate company limited by guarantee.
- 7.17 **Would incorporation mean that branches would also need to comply with the requirements set out in 7.15 above?** Much will depend on whether the branches are viewed as autonomous. Some organisations like NARFSP have not needed to register branches for VAT. If a decision is made, in principle, to examine incorporation it would be essential to instruct solicitors and accountants to review all the pros and cons including tax and VAT. This might mean that each branch would need to incorporate separately. Incorporation would have no effect on the funds currently held by branches or on branches to hold funds in the future.
- 7.18 **Could NARF register as a charity?** A company limited by guarantee can register as a charity if it can establish a public benefit. The Charity Commissioner has been more restrictive in recent years on the issue of a public benefit, and it is sometimes necessary to demonstrate that the charity benefits a wider section of the public not just a specific group. In addition, becoming a charity can be more restrictive particularly with regards any action which could be taken to be political. At this time NARFSP is a non-political organisation, However some future campaigns by NARFSP may be determined to be political and the organisation may wish to consider having a separate charity to retain flexibility. Any decision to become a charity would need legal and accountancy advice to review the pros and cons.
- 7.19 **Is there an alternative structure to provide protection?** NARFSP could become a Community Interest Company (CIC) which is sometimes used for not-for-profit organisations. There are however restrictions with a CIC which are: -
- it must have an overriding community purpose (which is enshrined in its objectives, as set out in its constitution)
 - it must have a statutory asset lock (which ensures the assets are used for the benefit of the community).
 - it cannot register as a charity.
 - it cannot engage in political campaigning or activity if the activity only benefits a particular body.
- 7.20 These restrictions above lead many unincorporated organisations to choose the more flexible route of a company limited by guarantee which is what Council Members are asked to consider.

8.0 Route to the Association becoming a Company Limited by Guarantee

8.1 At the October Council Meeting members should vote to support by majority one of the three options as follows: --

- The Association should carry out the necessary actions to move the Association to a Company Limited by Guarantee
- Maintain the Association as being an Unincorporated – Not for Profit organisation and accept associated risks.
- That with falling membership numbers Council members may consider at this time actioning the necessary steps to dissolve the Association as soon as possible and by so doing remove the risk to members and its officials.

8.2 In respect of the first bullet point above Council members are asked to be mindful of the potential costs associated with moving the association to a Company Limited by guarantee as it will not be money well spent if the Association folds naturally through falling membership numbers (below 5000) within a short timescale which it could well do.

8.3 In respect of bullet point two above members of GPC would not support this option being taken by Council Members for the reasons referred to in this report.

8.4 Although no pleasure is taken in listing an option for Council members to consider closing the Association down it has to be accepted that times have changed and when looking at where the Association is now and where it might be in a short space of time it might be considered to be the best option.

8.5 If at the October 26 meeting of Council support is given to the Association becoming a Company Limited by Guarantee there will need to be in place a route to get the Association there which the GPC see as being as follows: -

- Appoint legal representatives to manage the process.
- A majority support of those members who vote will need to be secured at the April 2027 AGM to allow the Council to take the necessary steps to move the Association towards becoming a Company Limited by Guarantee.
- Place an article in the December 2026 edition of NARF News to make all members aware of the issues contained in this report.
- Draw up voting papers to send to members via the December 2026 edition of NARF News
- Obtain legal representation (see 8.6 below) depending on the outcome of April 27 AGM.

8.6 GPC members feel it necessary to obtain legal expertise and associated costs to carry out the following: -

- Discuss the incorporation.
- Draft the Articles of Association copying where possible our existing rules for managing the Association.
- Discuss the Article of Association with members of Council (all or part) and amend as necessary the first draft.
- Incorporate the Company
- Transfer the Assets of NARF to the company.

8.7 If appropriate and before the options go to members to vote on at any AGM GPC members recommend legal advice is sought to approve the wording of the three options in 8.1 above and the process for the ballot to be held to ensure it is valid and free of legal challenge.

9.0 Conclusions

9.1 The personal liability for Council members and individual members is seen as a key issue for the Association while it remains an Unincorporated not for profit Organisation and it has the potential to work as a disincentive for members of the Association to come forward and take up positions on Council or become members at all. Not least that it is deemed to be unfair a risk to place on individuals and needs to be addressed.

9.2 While the Association remains as it is with the personal liability risk the Association should seriously look to confirm or provide the necessary insurance cover to protect key individuals in the Association.

9.3 The current set up of the Association being an **Unincorporated Not For Profit Organisation** has on balance been the most logical place for it to be however in an increasingly litigious world the exposure of members of the Association being liable for any debts or successful matters of litigation against the Association is an issue that needs to be addressed and in the opinion of members of GPC cannot and should not be ignored.

9.4 Members of GPC therefore concluded that on matters relating to litigation was a strong enough reason to conclude that the Association should move from its current status of being an Unincorporated Not For Profit Organisation to that of being a Company Limited by Guarantee

9.5 The benefits make a compelling case for the conversion to a Company Ltd by Guarantee for our Association to have the option to enhance our operational capabilities and protect our members.

9.6 If the CLG option is deemed right for the association approval should be sought from West Midlands Fire Service for the Erdington Fire Station address to be used as a Registered Office in the information provided to Companies House or alternatively permission sought for the Registered Office to be the address of the Associations Accountants, Chipchase Manners.

- 9.7 Members of GPC are no experts in this field however they have drawn a view based on the information made available to them and their interpretation of it. GPC therefore recommend that the Council take legal advice as necessary to ensure they are aware of the risks and accuracy of this report when making their decision for the future of the Association.

10.0 Recommendations

- 10.1 That Council members show their support for one of the options in 8.1 above.
- 10.2 If the option for the Association to become a Company Limited by Guarantee is approved by Council Members the GPC have drawn up an action plan. (see appendix 1) that if added to as deemed appropriate and implemented will assist the association with its move to become Company Ltd by Guarantee at the earliest opportunity. Members of Council should allocate the person(s) responsible for completing the relevant action and within what time scale.

John Davies
GPC Chair & Vice President