Village Halls and Community Centres
The Charity Commission is the independent regulator for charitable activity. This is one of a series of reports that draws upon independent research that we have commissioned, as well as our own internal data, knowledge and experience of working with charities.

The purpose of these reports is to help increase understanding of an issue. They are part of our mission to help charities maximise their impact and comply with their legal obligations, to encourage innovation within the charitable sector and enhance effectiveness.

This report presents our findings from research into the ways in which charities are taking environmental responsibility. It contains ideas that you may wish to consider adopting, taking into account your charity’s own particular situation.
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Introduction

The Government recognises that village halls, community centres and other charities that provide space and facilities for community services and activities can make an enormous difference to the well being of their communities. These charities are an extremely important resource with a crucial role to play, not only in the economic and social regeneration of their local communities, but also in their contribution toward the Government’s Civil Renewal agenda.

The Strategy Unit paper “Private Action, Public Benefit” recognised the value of small charities (which includes many village halls and community buildings) by describing them as “a vehicle for community involvement, they contribute to diversity; they develop new approaches to local problems, they identify new needs quickly”.

Village halls and community centres exist with the purpose of meeting the needs of users and beneficiaries within their community; needs which are rapidly changing. Social and economic factors are altering the demographics of many villages, towns and cities. People’s interests and tastes also change. The challenge for trustees of these charities is to adapt to reflect such changes in the way they operate.

A great deal of research and commentary exists describing the changes that impact upon rural and urban communities. This report does not rehearse those details. The aim of this report is to look at what charities are doing to meet the new challenges that they face and to outline some of the options that are open to them. The report provides an overview of the challenges faced by village hall, community centre and similar charities and looks at what trustees can and cannot do within charity law and regulation in order to adapt their operations to changing circumstances. In particular, it outlines how the Charity Commission can help charities to modernise and provides signposting to further advice and guidance.

The report is aimed at anyone involved in the governance and management of a village hall, community centre or other community-based charity that provides facilities for the community in which they are located, and for anyone with an interest in such charities.

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1 For ease of reference, this report uses the description ‘village halls and community centres’ to refer to charities that provide space and facilities for community services and activities. These charities do not always have the words village hall or community centre in their title. See Annex A for further details.

2 The Government defines ‘civil renewal’ as “negotiating a new relationship between citizen and state, seeking to empower people to be active in furthering not only their own interests but those of other people in their community (whether a community of place or interest).”


4 See Annex A - Glossary of terms for a definition of trustees.
There are over 9,000 village halls and community centres recognised as charities in England and Wales, representing more than 5% of the Register. Their combined annual income is around £0.25 billion.

This report presents the findings of research into the way in which these charities are changing. Best practice examples are used to illustrate how charities are adapting to meet the needs of their local communities.

It is well documented that some charities, village halls in particular, are struggling to survive because of falling demand for the services they provide. Ageing rural populations, lack of interest among younger people or among new residents in commuter villages, competition from nearby towns and cities that are now easier to reach - all of these factors have been identified as problems for some rural village halls and community centres.

Difficulties also often arise in funding the maintenance of these charities’ properties. In some cases, services and facilities that many local people rely upon are threatened because income from use of the hall is not sufficient to fund its up-keep. In other cases, charities struggle to fund the modernisation of the property to comply with changes in regulations such as disability access and health and safety.

Village hall charities in particular are faced with the need to adapt their services and their property. There is evidence of a move away from the traditional village hall concept to a community based ethos of charities combining to provide a broader service; a kind of ‘community hub’.

It is often easier to identify need within an urban community where the population is larger and more diverse and, therefore, the problems associated with social and economic deprivation more likely to be apparent. For trustees of rural village halls or community centres, identifying those needs that attract grant funding is often a greater challenge than it is for urban community centre trustees and managers. For these charities, funding the up-keep of the hall can be a problem if income from use of the hall doesn’t cover running costs.

While there is no doubt that some charities are facing a battle to get users involved in the activities of their village hall or community centre, there is certainly scope for improvement in the way that some charities are responding to this challenge. Our research revealed a mixed picture with some charities being extremely effective at identifying and meeting the needs of their community and others being very narrow in their focus. At one extreme there is great enthusiasm for the diversity of interests in the community and at the other a tendency to focus on problems rather than solutions. While some trustees and their staff embrace change and seek imaginative ways of responding to it and securing the funding they need, others are blinkered by nostalgia or a failure of imagination.

This report aims to provide some of the solutions that trustees need in order to operate in a way that meets their objects and the needs of their community.

Attributes of a successful village hall or community centre

As a general rule, active, vibrant governance and an active, vibrant village hall or community centre go hand in hand. Our research revealed a clearly identifiable link between the ability of village hall and community centre charities to attract users, their ability to attract trustees and other volunteers, and their ability to generate funding. Many of the successful charities we identified had a ‘cradle to grave’ policy of offering something for everyone. The charities that thrive are those in which trustees are pro-active in understanding their responsibilities and in ensuring that their charity provides activities that meet local needs.

Our research shows that a successful village hall or community centre charity usually has:

- A governing document that is workable and up-to-date, containing provisions for everything that the trustees need to do.  
- A trustee body that is diverse, knows the extent of its role, responsibilities and powers and presents potential new trustees with a realistic picture of what is involved.

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5 5% is a conservative estimate. Not all community buildings have the term ‘village hall’ or ‘community centre’ in their registered name; nor is there a universal definition of such facilities.

• A building that meets legislative requirements and that can facilitate a range of activities.

• An effective means of communicating and consulting with the local community to ensure that its needs and interests are understood and that the community knows about the charity’s activities and plans.

• A funding regime that is sustainable and diverse enough to allow trustees sufficient flexibility to direct their activities in accordance with local needs and interests.

• A strategic plan, however simple, that takes account of the impact of proposed changes on all aspects of the running of the charity.

The Charity Commission’s role in supporting village hall and community centre charities

The Charity Commission’s role in respect of village hall and community centre charities is to encourage and enable them to continue to meet the needs of their users or beneficiaries. We aim to ensure that the regulatory framework does not present any unnecessary barriers to charities’ ability to adapt and to modernise.

The Charity Commission can help trustees of village hall and community centre charities in a number of ways. For example, we can:

• help and advise through our extensive range of guidance available in hard copy and on our website, and also through our contact centre, our Small Charities Unit ‘one stop’ service and our broader advice and support function;

• make an order to change or modernise the administrative powers of a charity where trustees are not able to do so themselves;\(^7\)

• make a scheme to replace a charity’s governing document where the document is unworkable or the purpose of the charity needs to be changed;\(^8\)

• help charities with disposal of land and permanent endowment;

• look at charities’ governance through our Review Visits programme; and

• continually review our regulatory approach and its impact on charities, particularly at the smaller end of the scale. We are in the process of commissioning research examining the impact of regulation for small charities.

The Charity Commission’s extensive range of guidance sets out our position and the main points of consideration for charities in relation to each issue covered. Relevant guidance is sign-posted at the end of each section of this report. Other bodies also provide advice and guidance to charities and these are sign-posted in the resources section at the end of this report.

This report outlines a range of scenarios that our research and experience have shown to affect village hall and community centre charities. Different charities will, of course, have different circumstances and some sections of the report will be more relevant to some charities than others. At the end of each section there is a checklist which trustees may find a useful resource against which to measure their activities.

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\(^7\) The order would be made under section 26 of the Charities Act 1993. See Annex A - Glossary of terms for a definition of an order.

\(^8\) The scheme would be made under section 16 of the Charities Act 1993. See Annex A - Glossary of terms for a definition of a scheme.
Meeting the changing needs of users or beneficiaries

All charities face the challenge of identifying and meeting the needs of their users or beneficiaries as they, and the environment in which the charity operates, change. This is no less true for village halls and community centres. Changes in social and economic factors mean that the demographics of villages, towns and cities are shifting, as are people’s interests and tastes. Trustees of village hall and community centre charities need to adapt their activities to keep pace with those changes if the charity is to survive and continue to meet its objects.

The Charity Commission’s role is to encourage and enable charities to continue to meet the needs of their users or beneficiaries, within the terms of the governing document. We also aim to ensure that the regulatory framework does not present any unnecessary barriers to charities’ ability to adapt and to modernise.

There is no single pattern that describes the changes that impact upon village halls and community centres. Our research shows that some village halls serve a small, increasingly elderly population as the younger people move away to find work, while others serve a growing population due to the development of new housing on what was previously green belt land, or because the village is within commuter range of a big city. Some village hall trustees report that there is no demand for the services of the hall and that funding is consequently difficult to get, while others report that they are well funded and are competing for users with equally well-funded halls in nearby villages. Community centres also serve diverse populations with varied and changing needs. For the trustees of these charities, the challenge is to find ways to adapt and to continue to serve their community, within the terms of their governing document.

The Charity Commission’s operational guidance Management of Village Halls (OG68), available on our website, provides extensive and detailed guidance related to all aspects of management of a village hall and sets out how and in what circumstances the Charity Commission will get involved. Trustees of other similar charities may also find this guidance useful.

Inclusion: who benefits from the charity?

The purpose and area of benefit of a village hall or community centre charity is set out in its governing document. The charity will have objects to serve the community within which it operates (see section on The governing document - interpreting and amending objects). Our research revealed a great number of village halls and community centres that are doing excellent work to provide the kind of activities and facilities that reflect the needs of their community. Many of these charities have effective strategies for consulting with the community and with other bodies that serve the community to ensure that all views are considered.

On the other hand, some village hall and community centre trustees determine their charity’s activities according to the preferences of the trustees or the more vocal or influential members of the community, or according to traditional ways of operating. This is not an appropriate way to run a charity that is established to serve the community. Our experience shows that the exclusion of some sections of the community can be deliberate or it can be more subtle and unintentional. Certain ways of running a charity can have the effect of excluding members of the community that would be entitled to be considered for benefit from it, or have a need that is greater than the need of the groups that are currently given priority.

Clearly, trustees will not always be able to accommodate the needs of all potential users. Fair and transparent means of allocating the use of the charity’s services and facilities have the effect of demonstrating a willingness to be as representative and inclusive as possible.

Urban community centre charities usually exist within a large community with diverse needs in which it is difficult to provide something for everyone. Often a community centre will be set up to provide for a section of the broader community or will evolve in that direction. For example, the users or beneficiaries of the charity can be limited by the terms of the governing document on the basis of, for example, gender, ethnic origin or disability. This kind of limitation is perfectly acceptable provided that it is in keeping with the governing document and that all members of the defined group have equal access to the charity’s services.
However, if the governing document does not limit the area of benefit in this way, the trustees cannot exclude members of the community from involvement in the charity’s activities or restrict its activities to exclude potential users without being able to demonstrate that it is in the interest of the charity to do so.

Village hall trustees cannot normally restrict the benefit of their charity to specific groups because of the terms of their governing document (see section on The governing document - interpreting and amending objects).

A charity’s object, as set out in its governing document, was to provide a community centre for people living in a given area but the trustees had artificially restricted it to older residents of a particular ethnic group. The Charity Commission queried this and was told that the centre received funding from the local authority on that basis. The local authority had determined its funding priorities on the basis of community consultation designed to identify the greatest areas of need. However, by operating in this manner, the charity was putting an artificial limit on the beneficiary class that was not supported by the governing document.

The Charity Commission met with the charity and advised the trustees that, as their actual activities met a clearly identified need, they should consider amending their constitution to reflect these activities whilst keeping the objects sufficiently wide to include other residents in the area. This has enabled the charity to continue to operate on a sound legal basis and to serve those sections of the community in greatest need.

Charities should not accept funding for activities that artificially restrict the area of benefit of the charity or are outside the terms of their governing document. The charity, not the funding body, is subject to the risk associated with acting in breach of trust. Whilst many charities - particularly community centre charities - will have a close funding relationship with local authorities, these charities’ objects must prevail above the interests of the authority when trustees are considering plans and activities. See Charity Commission guidance Charities and Local Authorities (CC29).

Identifying the needs of the community

Many of the trustees that we spoke to complained of a lack of interest in the activities provided within their charity.

There is no doubt that some village hall and community centre charities exist within a community that no longer has the same level of interest in the charity as in the past. However, it is also true that many struggling village halls and community centres are failing to keep pace with the changes that are happening around them. Our research showed that some trustee bodies have an attachment to the charity and its traditional activities that prevents them from considering the full range of possible ways in which the charity could operate. In some cases this is a conscious decision but in many it is simply a failure of imagination or lack of mechanisms in place to recognise what the community wants.

This is particularly noticeable in those village halls in which the trustees are long-standing within the charity and the community. Community centre charities are often managed by people who come from outside the community or from a more diverse population which can foster a greater receptiveness to new and different ideas. Of course, this is by no means true of all village halls or community centres. We saw some excellent examples of progressive thinking in both types of charity.

During our research we were made aware of a few instances where two community centre charities were operating within the same location, one of which was very successful and over-subscribed and the other had been forced to close down. This demonstrates that failure to engage with the community or poor management or governance can equally cause difficulty.

Consulting with local people

Our research uncovered a number of methods of consultation that charities use to determine the activities and facilities that their potential users or beneficiaries need. Trustees should consider a range of methods to determine which would be suitable in their community and, if one approach does not work, trustees should try another. One village hall trustee we spoke to, for example, reported that they had sent out a questionnaire and, when very few of these were returned, they concluded that there was no interest and did not try any alternative methods.
That assumption is not necessarily correct; different methods or a different way of presenting the questionnaire may have been more effective.

Consultation does not need to be complicated but it can be very effective in ensuring that the charity’s activities reflect the community’s needs and interests. It also sends out a clear message that the charity is accessible and accountable to the community. Information about best practice ways of determining what services the community needs is available from many sources. The basic rules are to keep it simple, explain the purpose of the consultation and provide feedback about what has happened as a result of findings.

For trustees of rural village halls, identifying the needs that attract grant funding is often a greater challenge than it is for community centre trustees and managers. Within an urban community, where the population is larger and more diverse, the problems associated with social and economic deprivation are more likely to be apparent.

Those charities identified in our research that had the greatest success in adapting to the changing needs of their community and, therefore, in securing funding and running an active village hall or community centre, were those that were proactive in consulting with the community and in “selling” the charity to it. It is not enough to simply provide a space for the activities that trustees think the community will want and then expect people to get involved.

For example, a minority of the trustees that we spoke to in our research complained about trends such as young people leading busy lives, television being the main form of entertainment and whist drives becoming a thing of the past. These are facts of modern life that these trustees have to accept and adapt to if they are to engage with the people that make up their community and facilitate the activities that are relevant to them.

Our research also revealed a clearly identifiable link between the ability of village hall and community centre charities to attract users and their ability to attract trustees and other volunteers.

**Measuring impact and outcomes**

Evidence of consultation is often required by grant makers because they want to fund those activities that will have the greatest impact. Whether or not consultation is a funding requirement, measurement of impact and outcomes is increasingly prevalent and is a useful tool for assessing charities’ effectiveness.

A community centre that was visited by the Charity Commission as part of our review visit programme has inclusive practices and extremely effective ways of ensuring that the needs of the community are represented in the activities it provides.

The management at the centre have built up an extensive network of contacts within the community which has allowed decisions about which activities to provide to be made on an understanding of the needs of a variety of often hard-to-hear groups. The charity provides a huge range of activities and has managed potential conflicts between groups to great effect. The results of their work are clearly measurable in terms of such things as improved behaviour and school results among the younger people and better relations between some ethnic groups. This measurability of impact and outcomes translates into an enhanced ability to access the funding needed to continue their activities.

Examples of the centre’s inclusive approach include the installation of a toilet and shower with disability access that allows people at the centre who use a wheelchair or have problems with incontinence, or both, to be accommodated. This obvious awareness of users’ possible needs sends a clear signal of welcome and understanding that makes the centre more accessible to those whose needs might otherwise make them wary of using such centres.

Other initiatives in the centre include a mixing and recording room where people can experiment with making music and another room specifically for younger people, designed to take account of the fact that young people’s activities can damage decoration. These rooms are separate from the areas where the children play and from where the over 50’s activities take place so that different activities do not impinge on each other. The centre has a ‘cradle to grave’ policy and serves a huge range of people and needs within a relatively small space.
Keeping an open mind

The case above illustrates how trustees can accommodate potential user groups if they recognise the importance of the activities that those groups want to engage in. In contrast, a number of trustees that we spoke to in our research said that they did not allow certain groups or activities even though there was demand. A common example of this was the youth club whose exclusion was based upon the potential for damage or vandalism. In village hall charities there is often more at stake because the charity owns the property but, in cases like this, trustees should consider whether what they consider to be vandalism is actually just the normal wear and tear that can be expected and whether any alterations to the building would enable a greater range of activities to take place.

In any situation, trustees should consider whether they are really open-minded to the possibility of providing the kind of activities that the community wants or whether their preferences and opinions about what the hall “should” accommodate are preventing them from doing all that they can to reflect the requirements of the community that their charity is established to serve.

Trustees of a village hall charity contacted the Charity Commission for advice after the building became unsafe and needed to be demolished. The building had been well used in the past although there were limitations on the activities and services it could offer because of its age and state of repair. The trustees proposed to rebuild on an alternative site and use the proceeds of the sale of the original site to enable them to establish a hall with improved facilities to increase the range of activities it could hold, such as the provision of IT facilities. The trustees sent out a questionnaire to determine what kind of facilities the community wanted. We advised that the disposal and changes were in accordance with the charity’s governing document, allowing the trustees to proceed without any further intervention from the Charity Commission.

Planning for change

Trustees of village hall and community centre charities should ensure that any changes in their activities form part of a strategic plan, however simple, that takes account of the impact of proposed changes on all aspects of the running of the charity. Our recent report Milestones: Managing key events in the life of a charity (RS6) revealed a low level of planning among the charities surveyed. That research also showed that charities which plan ahead experience fewer difficulties in managing the changes that they encounter. The report outlines the questions that trustees should ask themselves at certain stages in their charity’s development in order to ensure that they manage change effectively.

There is a range of governance issues that trustees need to consider before they decide to change their charity’s activities. The charity’s governing document may not permit the intended changes; see the remainder of this section which gives details of what trustees can do in this situation. There are many other considerations too. For example, carrying out a risk assessment to determine whether the new activities subject the charity to greater risk. If so, it may be that insurance costs will rise or it may be wise for the charity to incorporate as a charitable company to limit the risk to individual trustees.10 Trustees need to assess how to address those risks. All of these areas of consideration should form part of the trustees’ strategic planning process.

How can charities change?

The Charity Commission’s role

The Charity Commission can often help charities to adapt and to modernise, and can provide advice when trustees are uncertain about what they can and cannot do within charity law. Action with Communities in Rural England (ACRE), Rural

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10 An incorporated charity cannot hold endowed property as part of its corporate property. Any company that was to act as trustee would need a power to hold the endowment of the charity and amendments may be necessary to ensure that both the endowment and the powers of the charitable company are sufficiently similar. The appointment would normally be by scheme and trustees should seek advice from the Charity Commission.
Community Councils (RCCs), Community Matters and Councils for Voluntary Service (CVSs) are also excellent sources of advice and guidance for community centre and village hall charities. See Annex C for details.

There is evidence that some trustees do not approach the Charity Commission when they have a problem or need advice about an envisaged change. This is sometimes because they do not know that they can and, in many cases, must involve the Charity Commission. Often their reluctance is due to a misconception about what the Charity Commission will do.

Charity Commission staff can advise on a wide range of issues related to governance and the responsibilities of trustees. We advise on matters such as payment of trustees or connected persons, conflicts of interest, broadening of objects and other governance issues. We cannot advise trustees on how to run their charity but we can give them the advice they need to make an informed judgement.

Trustees and other stakeholders seeking general advice should also make use of our website which makes a wide range of information available, including our series of guidance leaflets, our operational guidance and our regulatory reports.

Proportionality of regulation

There are some significant differences between the governance of village halls and community centres. On the whole, village halls are run entirely by a committee of trustees, with any employees being casual or part-time workers such as caretakers or cleaners. The trustees, therefore, not only make the governance decisions but take care of the day-to-day running of the charity. Community centres, on the other hand, are more likely to be incorporated as a company and employ a full-time chief executive and other members of staff. Trustees are therefore less involved in the daily running of the charity and a greater number of people contribute to the decision-making process.

Village halls are usually small charities in terms of their income and expenditure but are often asset rich through ownership of the property. Community centre charities are usually larger in terms of their level of income and expenditure but do not necessarily own the property from which they operate. The income sources of village halls and community centres can also be quite different.

The Charity Commission is committed to proportionality in our dealings with charities. We explain the principles of proportionality in our publication Charity Commission Risk Framework. We recognise that the appropriate level of regulation for a large charity is not necessarily appropriate for a small charity. The management of a charity involves trustees in a number of complex situations that can have a greater impact on a smaller, trustee-run charity than on a charity with a chief executive and a team of staff.

We have a dedicated Small Charities Unit which deals specifically with cases related to charities with an annual income of under £10,000. We also have a number of publications that provide advice and guidance for small charities. Follow the “Guidance for charities” link on our website for details of our approach to working with small charities.

Village hall charities often have significant assets in their land or buildings and a light touch is not always appropriate in considering such matters. Our aim is to ensure that our actions are proportionate to the issue and to the risk to charitable assets or other harm involved.

The governing document - interpreting and amending objects

Charitable status is contingent upon a charity’s activities being exclusively charitable and for the public benefit but a charity cannot carry out activities simply because they are charitable or because the community wants them to. Every charity is bound by the terms of its governing document and can only carry out such activities as are permitted by it. Trustees of charities that want to change their activities to meet the changing needs of their community must consult their governing document to see whether the new activities are authorised by it.
Village halls are usually registered under the Recreational Charities Act 1958 with the object of providing facilities for recreation or other leisure time occupation, in the interests of social welfare and to improve the conditions of life for people of the village. The object clause of community centres is generally wider and can cover a more extensive variety of activities and facilities or be restricted to a particular section of the wider community.

There are limits to what trustees can do in order to change a charity’s purpose but evidence suggests that trustees can often do more within the terms of the objects clause than they realise.

If trustees want to use the hall or centre for a purpose that they think might be outside the scope of their objects, they should seek advice from the Charity Commission. The Charity Commission can help trustees to understand their governing document and, where appropriate, to amend it to make it more workable or to broaden the scope of their permitted activities. In considering such cases, Charity Commission staff will need to be satisfied that the proposed service or activity is within the terms of the charity’s governing document or, if the object requires amendment, that the new activity will not interfere with its charitable purpose or the charitable status of the hall.

Some trustees that we spoke to in our research reported that the terms of their governing document restricted their ability to modernise their activities but were unaware that it was possible to amend it.

The governing document - amending administrative provisions

Charities with a governing document that is unworkable may also experience problems that lead to Charity Commission intervention. Village halls in particular sometimes have a governing document that dates back to when the building or land was first given over for use as a village hall. For example, the governing document may be the conveyancing document for the property or another such legal document. This may not lay out in any detail provisions for the day-to-day running of the charity, and the document may be in need of modernising and broadening in its terms if it is to be of use as a reference tool to guide trustees in the administration of the charity.

Most charities will have a power of amendment in their governing document, which means that they can change its details to enable them to do things that were previously beyond their powers. Charities that are long established or are not incorporated as a company do not usually have a power of amendment, however. This is often true of village hall charities because their governing document is old or they are small and unincorporated, or both.

There are other rules that apply to small charities but these will not always be applicable to village hall charities because of the terms on which such charities hold property. Trustees should consult Charity Commission publication Small Charities: Alteration of Trusts, Transfer of Property, Expenditure of Capital (CC44) and contact the Charity Commission for advice where there is any doubt.

In most cases, the Charity Commission can make an order under section 26 of the Charities Act to change the administrative powers of a charity where trustees are not able to do so themselves. In cases where the governing document is totally unworkable or the purpose of the charity needs to be changed, the Charity Commission can make a scheme under section 16 of the Charities Act to replace it.

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11 See our publication The Recreational Charities Act 1958 (RR4) for further details.

12 Village halls model objects clause: Both our own model scheme and the ACRE model deed specify the objects as: “the object of the charity is the provision and maintenance of a village hall for the use of the inhabitants of the area of benefit without distinction of political, religious or other opinions, including use for: (a) meetings, lectures and classes, and (b) other forms of recreation and leisure-time occupation, with the object of improving the conditions of life for the inhabitants”.

Example community centre objects clause (taken from the governing document of a registered community centre charity): A) To further or benefit the residents of the area of benefit and the neighbourhood, without distinction of sex, sexual orientation, race or of political, religious or other opinions by associating together the said residents and the local authorities, voluntary and other organisations in a common effort to advance education and to provide facilities in the interests of social welfare for recreation and leisure time occupation with the objective of improving the quality of life for the residents. B) To establish or secure the establishment of a community centre and to maintain or manage or co-operate with any statutory authority in the maintenance and management of such a centre for activities promoted by the association in furtherance of the above objects.

13 For example, where there is no power of amendment, in some cases, section 74 of the Charities Act 1993 enables trustees of small, unincorporated charities with a gross income of less than £5,000 per year to apply the income and capital of their charity in more appropriate and effective ways. This may be by transferring their assets to another charity or altering the terms of the governing document. There are some restrictions dependent upon the purposes for which land is held on trust.
A charity originally established as an educational foundation/Sunday School had developed over time into a sort of “community association” because that was more appropriate to the needs of the community. However, this meant that the charity was acting beyond the scope of its objects.

Due to its age and state of disrepair, the charity’s building was not considered safe to hold activities aimed at children and did not meet certain health and safety requirements, so the range of activities available was significantly limited. However, it was well used by other sections of the community because it was the only building available to hold village events and parish meetings. The trustees wanted to focus on this and also to broaden the charity’s accessibility to the whole community. They intended to apply for funding to renovate the property so that it would comply with health and safety and disability access regulations. The charity had effectively become a different kind of organisation than at the time of its creation and, although its current activities were charitable, it did not have the authority to carry them out.

The trustees contacted the Charity Commission to enquire how the charity could adapt to meet the very apparent needs of the community without forsaking its charitable status. The trustees did not want to sell the property as they felt this would deprive the community of an important meeting point. Having considered the options open to the trustees, the Charity Commission made a fully regulating scheme under s16 of the Charities Act that re-established the legal status of the charity along the lines of a village hall charity. This meant that the charity could continue to operate and retain its charitable status under a new governing document.

Amalgamation with a recreation ground

In order to continue to serve their community, village halls sometimes amalgamate with a recreation charity. This mostly occurs where two charities have adjacent sites or where there is a proposal to build a village hall on a recreation ground.

The trustees of these charities need Charity Commission authority in order to make this change. The Charity Commission’s role is to consider the respective governing document for each charity so as to be satisfied that the interests of both would be properly and fairly served by the arrangement.

Occasionally, the village hall and recreation ground cannot be merged because of unusual or restrictive provisions in one or both of the governing documents. In such a case, the Commission may advise that the charities are kept separate but are served by a common management committee.

Trustees of a village hall charity approached the Charity Commission for advice on extending its purposes to include a playing field. The village hall charity was established by a Declaration of Trust which provided for a village hall only. A separate body managed the playing fields. The Charity Commission considered the options and advised that a possible way forward was for the trustees to wind up the old village hall charity according to the powers in its governing document and register the newly combined village hall and playing field charity. In this instance the trustees of the old village hall also needed the Charity Commission’s consent to the application of the proceeds of sale because the trustees’ proposal involved selling the original hall and building a replacement hall on a site leased from the Parish Council.
A Parish Council approached the Charity Commission for advice on behalf of the local village hall, which was a registered charity. A piece of land suitable for a recreation ground was up for sale and the Parish Council wanted to purchase it for the village hall management committee to administer.

Having looked at the village hall charity’s governing document, we found that it was unclear whether the charity’s management committee or the Parish Council were the managing trustees. Without a clearly identifiable trustee body, we were unable to extend the objects of the village hall or amalgamate it with the recreation ground. In addition, the land that was intended to be the recreation ground had not yet been settled on any trusts.

The Charity Commission worked with the village hall representatives to replace the existing governing document with our model village hall scheme. This clarified who the trustees were and modernised the day-to-day administration of the charity. Once the purchase of the recreation ground was complete, we advised on its registration. We were also able to make a uniting direction under section 96(6) of the Charities Act 1993 for registration and accounting purposes, which helped prevent the duplication of resources in accounting separately for the two charities.

Amalgamation of village hall or community centre charities

Charities may also wish to amalgamate because there is no need for two buildings operating similar charities. There is evidence of a move away from the traditional village hall concept to a community based ethos of charities combining to provide a broader service; a kind of ‘community hub’.

The trustees of a village hall charity approached the Charity Commission for advice because they wanted to combine the hall, the school building and another building with a view to establishing one multi-purpose community association charity.

The trustees felt that such a move would be in the interests of the community because it would enable them to provide a better variety of services and reach a wider selection of beneficiaries. Having several buildings operating in the neighbourhood had meant that there was an overlap of services and competition for users and funds. The proposed merger would also mean that there would be one body of trustees managing the charity.

This case is in the early stages of development and the Charity Commission is currently in discussion with the trustees to advise on the way forward.
See Charity Commission publication *Collaborative Working and Mergers* (RS4) for best practice suggestions about working with other charities.

Where there is no longer a need for the services of the village hall or community centre and trustees have made every effort to engage the community, it may be appropriate for the charity to wind up its activities and transfer the proceeds of sale of the charity and/or any outstanding funds to another charity with similar objects. Trustees need a power in their governing document allowing them to do this; otherwise they will need Charity Commission permission.

**Non-recreational and commercial activities**

The objects of village hall charities specify the provision of recreational facilities. However, the hall is likely to be used by a number of user groups whose activities can be diverse. These groups need not always be charitable in their own right but must be capable of improving the conditions of life for the public at large in the area of benefit, within the scope of the Recreational Charities Act 1958. Examples would include users such as line dancing groups or bridge clubs, or an MP holding his or her surgery at the hall. These are acceptable activities provided there is no distinction on, for example, grounds of race, sex or politics, and that no group is given a monopoly on the facility or is put in a privileged position vis-à-vis other groups.

Not all organisations or individuals wishing to use the hall will come within the scope of the Recreational Charities Act 1958. Our research findings echo other research which shows an increase in the number of non-recreational activities accommodated in village halls, such as training activities, clinics, IT centres, after-school activities, sub post offices, a village shop or a bar.

Successful accommodation of non-recreational or commercial activities depends upon careful consideration of whether the proposal will impinge on the running of the village hall as a charity or expose it to any financial risk.

A village hall charity wished to rent out part of its premises to house the post office after the previous one had been destroyed in a fire. The Charity Commission considered the request together with the terms of the charity’s governing document to establish whether the charity had the necessary authority to enter into such an arrangement. Once this was confirmed, the charity was advised that, as long as it complied with the provisos that the provision of a post office did not interfere with the charitable activity of the hall and did not expose the charity to financial risk, the proposal was acceptable.

The Charity Commission was approached by a charity which wanted to house a post office in an extension to a community centre. The villagers were consulted by a house-to-house survey which showed that they were agreeable to the plan and also identified a need for other services that were closer to the charity’s objects. The charity received assistance from other organisations in putting its plans into action in a way that allowed for the provision of the post office without affecting its ability to provide the other services requested. The Charity Commission advised on and approved the arrangement, and the extension went ahead.
Community centres likewise sometimes want to accommodate commercial activities as a way of generating income. If they are to do this, trustees must separate the commercial activity into a subsidiary company or, if sharing property with a commercial enterprise, must ensure that the charity’s activities are clearly distinct from those of the business.\textsuperscript{14} Trustees must also ensure that any use falling outside the charity’s objects does not interfere with the use of the hall for the public benefit. See Charity Commission publications \textit{Charities and Trading} (CC35) and \textit{Providing Alcohol on Charity Premises} (CC27) for further information.

Community Matters provides practical advice on keeping a bar separate from the charitable part of a community centre.

The Charity Commission became involved in the case of a charity where the charity trustees complained that the custodian trustees were refusing to hand over the proceeds of the sale of part of the charity’s property.\textsuperscript{15} Further enquiries revealed that the custodian trustees believed the money would be put towards the bar and social club run on the charity’s premises. The Charity Commission received evidence that a clear separation did not exist between the charity and the social club. Furthermore, it was apparent that the interests of the club dominated the affairs of the charity as very little evidence of charitable activity was found; the centre was only used for charitable purposes one morning of each week. The building itself was in a poor state of repair despite a large rent being paid by the social club, with only that part of the building occupied by the social club being adequately maintained.

The Charity Commission advised both the holding and management trustees of their respective responsibilities and explained that the social club should be managed as a completely separate entity from the charity. The trustees acknowledged that they needed to improve and promote the use of the centre for charitable activities and have taken on board the advice and recommendations of the Charity Commission. There has since been a marked improvement to the centre. The charitable use of the centre has increased, repairs and refurbishments have been made to the interior of the building and there are plans to refurbish the main hall. If these improvements had not been made, the Charity Commission might have opened a section 8 inquiry, appointed a receiver manager or removed the trustees and appointed others who would put the charity back on a proper footing.

Community centres and village halls in urban locations also face the need to change in order to provide less traditional services, raising similar issues about charitable purpose, charitable status and risk. The challenges facing such charities in meeting the needs of the communities they serve can be quite specific. The following examples illustrate some of the activities that community centres and other urban community charities provide.

\textsuperscript{14} Charities with property that is held on specie trust cannot generate income through commercial activity. Community centres are usually incorporated so this is not an issue but it may apply to a village hall. Trustees should refer to their governing document.

\textsuperscript{15} See Annex A - Glossary of terms for a definition of custodian or holding trustees.
A community centre charity based in a large city operates mainly as a drop-in IT centre offering training and educational opportunities for women.

Another inner city charity concentrates on regeneration and unemployment issues providing such initiatives as job clubs, vocational training programmes and community capacity building. This charity is part of the National Playing Fields Association’s Millennium Centres project, aimed at creating “urban village halls” in high density housing areas throughout the country.

A community centre that we visited mainly focuses on “social care” and working with young people, including provision of a creche and play facilities for very young children. It also provides for a day centre and lunch club for more senior members of the community, together with a legal advice service.

A charity which we visited as part of our review visits programme runs a number of services aimed at elderly people such as lunch clubs and day trips as well as working in partnership with the local council and other voluntary bodies. At one stage the charity wished to introduce a savings scheme as a further means of assistance. However, on enquiring with the Charity Commission about the proposal, the trustees were advised that this was outside the charity’s objects and the scheme was abandoned.

In the governance of an effectively run village hall or community centre charity, trustees will:

• refer to their governing document to ensure that they have the power to take any proposed actions and to ensure that any proposed changes in activities are in keeping with the charity’s objects;

• consider whether their way of running the charity has the effect of excluding any members of the community that may be entitled to inclusion within it;

• consider whether different activities and more promotion of the charity would increase community engagement with it;

• be pro-active in consulting with the community their charity is set up to serve and in promoting the activities it provides;

• consider a wide range of techniques for determining the needs of their community and, if one method is not successful, they should persevere with another;

• only engage in commercial or non-recreational activities if they have the necessary power, where there is a clear need to do so and where these activities will not put the charitable status of the organisation at risk or impinge upon its ability to provide charitable activities;

• ensure that their charity accommodates those activities that fit the needs of the community not those that they believe it should provide or those that serve their own interests;

• ensure that any changes in their activities form part of a strategic plan, however simple, that takes account of the impact of proposed changes on all aspects of the running of the charity; and

• seek advice from the Charity Commission and/or other advisory bodies before they make any significant changes to their activities or if they are unsure whether they are authorised to carry out certain actions.
Related Charity Commission Guidance:

Amending Charities’ Governing Documents: Orders and Schemes (CC36) provides guidance to help trustees who need to apply for an order or a scheme. It sets out the circumstances in which trustees will need to approach the Charity Commission for help in changing the purposes of the charity or its administrative provisions. It describes the differences between an order and a scheme and how we make them.

The Charity Commission Risk Framework explains how the Charity Commission regulates charities, and the principles it follows in doing so. The publication outlines the purpose of regulation in promoting compliance with charity law and equipping charities to work better.

Choosing and Preparing a Governing Document (CC22) gives full details of Charity Commission recommendations on what charities should consider in relation to their governing document, together with a checklist of standard provisions which we would normally expect to see included. It also contains details of what it means to be a charitable company and the circumstances in which incorporation might be appropriate.

The Hallmarks of an Effective Charity (CC60) sets out the principles that our regulation aims to protect and promote and the standards we expect an effective charity and its trustees to aspire to.

Management of village halls (OG68) sets out The Charity Commission’s policy on the common issues encountered by village hall trustees.

Membership Charities (RS7) sets out the characteristics of an effective membership charity. It assesses the extent to which the problems associated with membership charities can be resolved or avoided by better governance and by the actions of the membership, and clarifies where the Charity Commission will become involved.

Milestones: Managing key events in the life of a charity (RS6) looks at the issues and phases of development common to many charities. It includes a checklist of standard questions for trustees to consider at various stages of development.

Providing Alcohol on Charity Premises (CC27) looks at the legal and practical problems of selling alcohol from charity premises.

Small Charities: Amendments to governing documents (OG 203) and Small Charities Guidance: Amendments to Governing Documents (SC11) available on our website, provide guidance specifically for small charities.

Trustee Recruitment, Selection and Induction (RS1) provides information on best practice in recruiting new trustees.

Use of Church Halls for Village Hall and Other Charitable Purposes (CC18) explains how a church hall may be used for other charitable purposes if it is no longer needed exclusively for church purposes.
Our research shows that trustees do not always act with reference to their charity’s governing document. In many of the cases in which the Charity Commission becomes involved, trustees have simply allowed tradition and the discretion of the trustees to determine how the charity operates. Not only does this fail to ensure that current activities fit the requirements of the community, it could also mean that trustees are acting in breach of trust.

The importance of the governing document

The governing document should provide clear details about the charity’s objects and area of benefit and trustees’ powers. It should also provide details of such things as how meetings will be conducted, how decisions will be made and by whom, and how new trustees will be appointed. Charities with a governing document that does not contain sufficient detail to direct trustees in these matters should consider drawing up a set of rules that do so. Our experience shows that charities with a governing document or set of rules that provides sufficient detail are less likely to run into difficulties such as those associated with acting outside their objects or getting into disputes that they are unable to resolve internally. See the Charity Commission publication Membership Charities (RS7) for details about managing the potential for internal disputes. For details of how to deal with situations where a dispute has arisen, see our leaflet Complaints about Charities (CC47), which also contains details of how to contact the Centre for Effective Dispute Resolution (CEDR).

Model governing documents are available from the Charity Commission. ACRE has model trust deeds for freehold and leasehold property which provide all the necessary clauses that a village hall charity is likely to need in its governing document. See also Charity Commission publication Choosing and Preparing a Governing Document (CC22).

A charity was governed by a Trust Deed but, over time, the trustees had drawn up and followed a set of rules which they regarded as the charity’s governing document even though it was not the legal document that determined the charity’s status and trustees’ powers. The trustees contacted the Charity Commission in connection with an unrelated matter and it was then that the uncertainty over the charity’s governing document came to light.

The Charity Commission, in discussion with the trustees, offered to establish a fully regulating scheme which would follow the intent of the original Deed but at the same time be more applicable to the modern needs of the charity. The purpose of the scheme was to identify the charity’s permanent endowment from its other property and properly define the role and responsibilities of the trustees. There had previously been some confusion in this area, particularly the distinction between holding and custodian trustees. All this was clarified by the scheme which provided a proper basis for the charity’s operation.
Trustees’ duties

Trustees must be aware of their duties and responsibilities. The liabilities that come with being a trustee should not be exaggerated but, equally, they should not be ignored. Our leaflet Responsibilities of Charity Trustees (CC3) sets out everything trustees need to know about the responsibilities associated with their role.

Charities in which the governing document is not given due consideration are often the same ones in which the trustee body cannot be identified. Therefore, neither the charity nor the Charity Commission can determine who has ultimate responsibility for the activities of the charity. If the people acting as trustees have not been properly appointed in accordance with the terms of the governing document, it is often difficult to determine who has authority within a charity; the people acting as trustees may not have the full authority to carry out certain activities. Where trustees cannot be identified, the Charity Commission can step in to appoint a trustee body if the issue cannot be resolved internally. It is preferable that trustees find a resolution themselves and the Charity Commission will help to facilitate their proposed course of action.

The Charity Commission sees many cases in which trustees of village halls do not recognise that they are trustees. Trustees of these charities are usually people in the village who have agreed to serve on “the committee” without recognising what that means. A committee, or succession of committees, run the charity according to established practices or their own judgement without reference to the governing document and, therefore, run the risk of acting in breach of trust.

Another common area of confusion surrounds the responsibilities of holding trustees. Holding trustees are the people who hold property on behalf of an unincorporated charity but cannot act in the administration of the charity. See section on Buildings and Annex A - Glossary of Terms.

A charity came to the Charity Commission’s attention when the people acting as trustees wished to dispose of part of the charity’s property. The Trust Deed had appointed trustees many years ago and the original trustees had long since passed away. The group of people managing the day-to-day business of the charity had not been properly appointed as trustees in accordance with the charity’s governing document and did not, therefore, have the authority to dispose of the charity’s property.

The Charity Commission looked at ways of resolving the situation to enable the charity to continue to operate and gave its authorisation by means of an order which allowed the current “trustees” to act, thus enabling them to go ahead with the transaction. The property was then vested in the Official Custodian and trustees were appointed to administer the charity.

The charity now has a fully active trustee body with proper authority for the administration of the charity and is operating effectively.
Confusion can also arise when sub-committees are responsible for making decisions about various aspects of the charity’s operations. The Charity Commission sees cases in which there are several “sub-committees” but no identifiable body of managing trustees with overall responsibility. Trustees need to make sure that lines of communication are clear and that everyone knows the extent of their authority and responsibility.

There is also a perception in some communities that the position of trustee of the village hall or community centre is linked to a position on the parish council and other such committees. Although this may be the case in practice, with the same people traditionally serving on all key decision-making committees, it does not need to be so. Where this is the case, it can be off-putting to potential trustees because it makes trusteeship appear to be a much greater role than it is and also gives the appearance of a “closed shop” which deters new or “different” people from getting involved. See Charity Commission publication Trustee Recruitment, Selection and Induction (RS1) for more details and advice on best practice in this area.

Trusteeship is a responsibility that should be taken seriously. Existing trustees should be careful about overstating the demands that come with it, however. In our research and our experience, trustees sometimes complain about the burden of their position. The subject of their complaint is often the need to comply with statutory requirements such as the completion of the Annual Return form and, in particular, the fact that the Return requires trustees to give their date of birth.

By contrast, this complaint is not common among the more vibrant charities which interact positively with their community and in which the trustees are active in promoting the charity and its services. Effective trustees accept that compliance with necessary regulation forms part of their duty toward their charity.

We recognise that trustees have to manage some complex situations but there is a great deal of advice and guidance available to them which is not always used to the extent that it could be. Research for our report Milestones: Managing key events in the life of a charity (RS6) confirmed anecdotal evidence of a tendency for trustees to “re-invent the wheel” rather than learning from the experience of others or making use of channels of advice and guidance.

**Trustee recruitment**

In view of the range and complexity of the issues that charity trustees often have to manage, it is important to get the right mix of skills on the trustee board. This is often more difficult in areas where there is a small catchment area or where it is hard to find people willing and able to provide their time on a voluntary basis. Our report Trustee Recruitment, Selection and Induction (RS1) sets out the benefits of having a range of skills on the trustee board and provides some best practice suggestions for how to achieve this. See also Charity Commission publication Responsibilities of Charity Trustees (CC3).

Research for this report showed that many trustees perceive a difficulty in recruiting new trustees, especially younger people. While there is undoubtedly some truth in reports of difficulties experienced by many charities, our report Trustee Recruitment, Selection and Induction (RS1) revealed that many of the charities that stated that they had difficulty recruiting trustees were those that did not use very broad methods of recruitment, relying instead on word of mouth, for example.

Research for this present report reflected that finding. The trustees who stated that they found it difficult to get trustees, users or volunteers for the hall were often those who were quite narrow in their focus on the kind of activity the hall would accommodate and in their approach to attracting new trustees. Anecdotal evidence suggests that village hall and community centre charities that operate in an inclusive, representative manner that attracts users also find it easier to attract new trustees.

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16 The completion of an Annual Return and the submission of an Annual Report and Accounts are a vital part of charities’ accountability. The date of birth allows trustees to be definitively identified and is part of the Charity Commission’s check on the eligibility of trustees. It falls under the Charities Act 1993, Section 3, 3(b).
Payment of trustees

Trustees sometimes want to pay one or more of their number either for a one-off service or as a regular arrangement. However, trustees cannot receive payment or any other benefit from their position unless they have express legal authority to do so. “Benefit” includes any property, goods or services which have a monetary value, as well as money.17

In some cases, the governing document gives trustees a discretionary power to employ one or more of their number to provide specific goods or services to their charity over and above normal trustee duties. Otherwise, trustees must contact the Charity Commission to request the authority to allow such a benefit.

In line with the principles of proportionality, there are simplified procedures for trustees of small charities (ie those with an annual income of £10,000 or less) when applying for authority to pay one of their number for the provision of a service.

To get Charity Commission authority, trustees would normally have to show that there will be a clear benefit to the charity, in terms of cost or otherwise, that will outweigh the disadvantages. For larger payments, trustees would also be expected to obtain quotes for the work to be done and draw up a shortlist of individuals or companies which would be asked to tender for the work. For small payments and for small charities such as village halls, the complexity of a full cost/benefit analysis or a process of tender is not appropriate. In these cases the Charity Commission will take a “light touch” approach to the authorisation of payment. See the small charities section on our website.

The Charity Commission recognises that trustees in community-based charities often want to ensure that work stays within the community. So, for example, there may be a situation in which someone from outside the community could provide a service free of charge or at a lower rate than one of the current trustees. The trustees would need to demonstrate to the Charity Commission that it is still in the interests of the charity to pay one of their number for the service.

Trustees may also wish to attract trustees who cannot afford to act as a trustee unless paid. For example, a community centre in an area of social or economic deprivation may have difficulty getting trustees from within that community to act on a voluntary basis. A key consideration must be whether it is necessary for that person to be a trustee or whether they could make an equally useful contribution as an employee.

Users on the board

Trustee boards of village halls and community centres are often comprised of representatives of the user groups of the charity. This can be an excellent way of ensuring that the decisions made by the trustees reflect the needs of the users or beneficiaries. To achieve this, the potential for conflicts of interest needs to be managed. If there is tension between the interests of the charity as a whole and the interests of a user group, trustees have a duty to act in the interests of the charity. So, for example, a trustee who is part of a club that uses the facilities provided by the charity should not use his or her position as trustee to maintain the provision of that activity if it is clear that it is preventing a more popular activity or an activity closer to the charity’s objects from taking place.

In the governance of an effectively run village hall or community centre charity, trustees will:

• always act with reference to their governing document;

• ensure that their governing document is fit for purpose and that their activities are authorised by it;

• ensure that they understand their role and responsibilities and present a realistic picture of them to potential new trustees; and

• find out whether it is possible to amend their governing document where necessary so that they can broaden the scope of their activities in response to the changing needs of their charity’s users or beneficiaries.

17 Access to the facilities and services provided by a village hall or community centre does not count as a benefit by this definition because it is a benefit that is open to the whole community.
Related Charity Commission Guidance:

Amending Charities’ Governing Documents: Orders and Schemes (CC36) sets out the circumstances in which trustees will need to approach us for help in changing the purposes of the charity or its administrative provisions. It describes the differences between an order and a scheme and how we make them.

Choosing and Preparing a Governing Document (CC22) gives full details of Charity Commission recommendations on what charities should consider in relation to their governing document, together with a checklist of standard provisions which we would normally expect to see included. It contains details of what it means to be a charitable company and the circumstances in which incorporation might be appropriate.

Small Charities: Amendments to governing documents (OG203) and Small Charities Guidance: Amendments to Governing Documents (SC11) available on our website, provide guidance specifically for small charities.

Responsibilities of Charity Trustees (CC3) outlines the role of trustees.

Trustee Recruitment, Selection and Induction (RS1) provides information on best practice in recruiting new trustees and ensuring that they have the information they need to be effective members of the board.

Users on Board: Beneficiaries who become trustees (CC24) outlines the issues to consider when users or beneficiaries of a charity are also on its trustee committee.
This section examines the issues associated with staff and volunteers in village halls and community centres. ‘Volunteers’ in this section does not include trustees. For trustees’ role and responsibilities see section on Using the governing document.

The number of people involved in ensuring that the services and activities of a village hall or community centre are delivered smoothly and successfully can vary immensely. Some charities have a large number of salaried employees whilst others rely more heavily on unpaid volunteers and perhaps only employ a few staff, often on a part-time basis. Community centres are more likely to have employees to coordinate the activities of the building (under the guidance of the trustee board) whilst village halls are mainly dependent on the commitment and involvement of local people, especially when it comes to setting up and managing user groups.

Volunteers

Volunteers play an extremely important role in the charity sector and smaller charities in particular rely heavily on volunteer involvement. Trustees of village halls and smaller community centres report difficulties in recruiting enough volunteers to help run the charity. In many communities, a large proportion of volunteers are aged over 50, often much older, and a frequent concern expressed by trustees is a lack of interest among younger people. See section on Meeting the changing needs of users and beneficiaries for guidelines on attracting users and volunteers.

Some charities tap into resources such as Youth Offending Schemes for work such as painting, which also allows the charity to make a wider contribution within the community, but this does not necessarily lead to long-term involvement. Trustees need to find ways to make their charity’s activities relevant to young people if they are to attract them in the longer term.

For example, one volunteer we spoke to had first attended the youth club at a community centre as a child and cited this as the reason for offering to help out at the charity now.

The legal position

Many of the issues that trustees need to consider when employing staff also apply when taking on volunteers. They include, for example, employees’ rights, discrimination, equal opportunities and health and safety legislation. In some cases the terms of a volunteer’s involvement with a charity can constitute a contract of employment. Trustees should ensure that they are aware of these issues and take advice where there is any doubt.

Employees

The issues that trustees of village halls and community centres need to think about when employing staff are essentially the same as those facing other charities of a similar size. Our publication Milestones: Managing key events in the life of a charity (RS6) explores some of the issues relating to charities employing staff for the first time or expanding their staffing levels. Trustees should also seek professional advice about employment contracts or if they are unsure about the legislative requirements they must meet.

Most employment legislation applies regardless of the number of employees or the number of hours they work. This means that it can put a disproportionate burden on charities that employ few or part-time staff. Employees in village halls and community centres are mostly caretakers, cleaners and other staff that are either part-time or employed to do small, one-off pieces of work such as repairs and maintenance. There may also be more specialist posts such as community or youth workers.

Trustees we spoke to in our research often reported problems associated with complying with employment legislation. Advisory bodies such as ACRE and the RCC and CVS networks provide practical guidance on how to manage these situations, and other bodies such as ACAS provide information specifically related to employment.

There are occasions where trustees may bring more specific and “one-off” queries about employment to the Commission’s attention. These are usually where the employment issue is connected to the general management of the charity or to its property. Two example cases are detailed below.
The trustees of a charity contacted the Charity Commission to enquire whether it would be permissible to gift to the caretaker on his retirement a property belonging to the charity that was separate to the community building. The caretaker currently lived in the property rent free as part of his employment contract. The trustees were conscious that once he retired he would be required to vacate the property and they wished to recognise his years of service in a practical way.

However, the property was of significant value and the gift would result in any succeeding caretaker of the hall having to make his or her own living arrangements. We explained that, whilst we expect trustees to be good employers, they should not sacrifice the future effectiveness of the charity and we could not endorse a gift of such a large proportion of the charity’s assets to one individual. The trustees did not pursue the proposal beyond these preliminary enquiries and sought other ways to recognise the caretaker’s service.

The partner of a charity’s live-in caretaker ran his business from home, giving the charity’s details as his registered address. The couple lived in the cottage rent free as part of the caretaker’s contract of employment. The caretaker’s partner did not make any payment for the storage of equipment or use of the charity’s premises. The Charity Commission became involved because it was unclear whether the arrangement was in the charity’s interest.

However, the trustees argued that the arrangement was beneficial and wanted it to continue. For example, the charity benefited from use of computer equipment at a reduced rate, and the individual had assisted in designing the charity’s publicity material. He also dealt with certain routine administrative and secretarial tasks such as handling the bookings for the hall.

The Charity Commission concluded that in this instance the trustees’ decision was reasonable but advised the management committee that they must monitor the situation on a regular basis to ensure the charity continued to benefit, and keep us informed of any changes.

**Connected persons and conflicts of interests**

One of the specific difficulties related to employment that affects charities that operate within a small community is finding people un-connected to the trustee body to do one-off or irregular paid tasks such as cleaning, book-keeping or minor repairs.

Employing a person connected to the trustee body can constitute a conflict of interests and needs to be carefully managed. The Charity Commission recognises that it is not always possible or desirable to go through a lengthy process of tendering for small pieces of work and that employing someone from within the community is consistent with the ethos of village hall and community centre charities. We apply a proportionate approach but expect charities to follow some basic rules to ensure that the process of employment is transparent and is not open to abuse. See our leaflet *Payment of Charity Trustees (CC11)* for details about managing conflicts of interest.

Putting procedures in place for managing conflicts of interest are primarily important for transparency and ensuring that trustees act in accordance with their responsibilities. In our experience they also drastically reduce the potential for dispute within the trustee body if things go wrong.
In an effectively run village hall or community centre, trustees taking on staff and volunteers will:

- ensure that they comply with all relevant statutory legislation and legal requirements;
- recognise and address potential for conflict of interest when employing people connected to the trustees; and
- consider whether widening the usage of the hall would increase the pool of potential volunteers.

Related Charity Commission Guidance:

*Milestones: Managing key events in the life of a charity* (RS6) looks at the issues and phases of development that are common to many charities. It includes a checklist of questions for trustees to ask themselves at various stages of development.

*Payment of Charity Trustees* (CC11) describes the restrictions on the extent to which charity trustees may receive remuneration and the circumstances where payments may be made.

*Small Charities: Trustee Remuneration* (OG 205) and information sheet *Small Charities: Small Payments for Providing a Service to a Charity* (SCU 8) provide guidance about payments specifically for small charities.
A charity’s building is one of its most significant assets and, for village hall and community centre charities, the building is the very core of their continuing existence. The charity’s long term success depends upon it having a suitable building which is properly maintained and managed to allow maximum usage by its beneficiaries.

The process of successfully maintaining and running a charity’s property can be quite complex and the Charity Commission has a role in advising and guiding trustees in various ways. An analysis of the type of village hall and community centre cases we have dealt with in the last two years indicates that property issues make up a significant percentage of cases overall.¹⁸

Trustees of any charity which owns land have certain general duties which are prescribed by law, not the Charity Commission. Trustees are jointly and individually responsible for the protection, management and supervision of the land. This includes being vigilant in maintaining and defending the charity’s land boundaries.

Planning a new village hall

Our research has shown that charities which plan for their future are more likely to use their resources effectively than those which do not. Trustees building a new hall, either as a new charity or to replace an old building, are generally more successful when the project is well planned. Our report Milestones: Managing key events in the life of a charity (RS6) outlines the benefits of planning and of starting up with a suitable governing document.

The Charity Commission sees cases in which a committee has registered as a charity on the grounds that it will raise funds to build a village hall only to find that the appeal flounders without the hall ever being built. In the majority of such situations, the trustees have not made allowance in their governing document for what will happen to the funds raised and the Charity Commission has to intervene.

It is essential that trustees intending to build a new hall have contingency plans for what they will do with the money they raise if it is insufficient to fund the original project or if the initial support dries up. Disaster Appeals: Attorney General’s Guidelines (CC40) provides information for trustees setting up an appeal that apply equally to charities raising funds for a specific purpose.

The committee of a charity raised £14,000 toward building a new village hall. It was later decided at a public meeting that it would not be financially viable to run the hall, even if the necessary capital funding could be raised, and that the project should be abandoned. The original appeal documentation did not make provision for this eventuality and the committee contacted the Charity Commission for advice on applying the funds raised for other purposes. By law the committee needed to take steps to try to identify donors and either return the money to them or get their permission to keep the funds for new purposes. At length, the committee was able to identify all of the donors because it was a small village. The Charity Commission was then able to draft a scheme under section 14 of the Charities Act to allow the application of funds for general charitable activity.

The processes involved took a great deal of time and effort that could have been avoided if the promoters of the appeal had considered the possibility that they would not reach their target and made allowance for this in the terms of the appeal.

¹⁸ Out of 4916 cases opened in the years 2002 to 2004 for village halls and community centres, 10% of these were for property issues. This split into 8% for village halls, and 2% were for community centres.
Another case that came to our attention during our ongoing review of the register was a charity that had been registered for many years under the title of “village hall” although the building had never been constructed. The original fundraising committee was more or less inactive in that capacity, leaving funds sitting unused in a bank account. In these circumstances the Charity Commission would strongly advise a charity to rethink its priorities and seek guidance on how the funds may be utilised for the benefit of the community they were originally intended for. Where the charity’s objects do not make provision for a use other than a village hall, we can help by widening the objects to enable the funds to be spent on general charitable purposes for the benefit of the inhabitants in the area.

A potential problem faced by charities starting a new building is that there is often a high level of enthusiasm at the start of a project but, as plans often take several years to come to fruition, the initial enthusiasm to participate as a volunteer or committee member can wane. Trustees should consider whether they and their community have the necessary long-term commitment to the project to see it through to completion.

Two neighbouring charities, a village hall and a recreation charity, planned to merge. The combination of their assets would enable a new hall to be built. After securing planning permission, a project team organised the fundraising. Attempts to secure a lottery bid failed and the project was in danger of not reaching its target but the committee looked at other options and managed to achieve funds through the Landfill Tax Credit Scheme which helped boost the appeal. After several years in planning the hall eventually opened. The success of the project depended upon the long-term vision and commitment of the trustees.

Maintenance

It is essential that trustees make financial provision for the maintenance and preservation of their property. A healthy level of reserves for this purpose is acceptable provided the charity has a reserves policy to explain why it needs the level of reserves it has or wants to attain. See Charities Reserves (CC19) for guidance about reserves, and Charity Reserves (RS3) and Small Charities and Reserves (RS5) for more detailed information about how to develop, manage and account for reserves.

A hall that has not been modernised can find that its usability is restricted. Trustees of village halls that have been rebuilt or refurbished report that use of the hall, and consequently the charity’s income, have increased. On the other hand, user groups can get settled in the alternative premises they use while the village hall or community centre is being refurbished and they do not return when it is complete.

For example, one trustee said that they had lost an important proportion of the charity’s income because the floor of the main hall was not of a sufficient standard to accommodate a pre-school playgroup. Despite having made the necessary renovations, the charity failed to attract the playgroup back to the hall because it had secured alternative premises in the meantime.

Trustees may need to promote their facilities again or attract new users after a period of refurbishment.

Some village hall charities face a situation of raising funds to build a new village hall while, in the meantime, the existing building still needs to be properly maintained. Judgement is needed to determine how much money to use on maintenance of the current property when a new one is planned. This should include consideration of whether they need to maintain existing levels of use and interest in the hall in order to transfer it to the new property.

See section on Funding for comment on the need for grant-makers to fund the maintenance and development of the property, not just the activities that take place within it.

Ownership and leases

One of the main differences between a village hall and a community centre or other community-based charity is that of ownership. Most village halls are owned outright making them asset rich, although the annual income is often below £10,000. In comparison, community centres tend to be owned by the local authority or council and leased to a community association which runs the activities based there.
Leases can be complex and trustees should take legal advice before agreeing the terms of a lease, including the terms on which it can be terminated. This is equally so whether leasing to or from another organisation.

A benefactor gave a property under a lease for the use of a village hall. Many years later he transferred the freehold to another set of trustees (his relatives) to ensure that the terms of the lease were observed. This had the unintended effect of creating two charitable trusts for the same property with two sets of trustees.

The problem was further complicated in that the leasehold trustees had since passed away and the freehold trustees wished to be rid of their responsibility of managing the property. In practice, a third committee was running the hall on a day-to-day basis. To resolve the situation, the Charity Commission suggested that the lease be terminated by the lessors on the understanding that the lessees had defaulted in observing the terms of the lease. Following this, the Charity Commission established a fully regulating scheme setting out proper trusts for the freehold property and legitimising the management committee’s authority for running the property.

Trustees may be able to lease to another organisation or group any part of their property that is surplus to requirements as a charity. Trustees should take legal advice in drawing up the terms of such an agreement and consider such things as how running costs, repairs and maintenance of the property will be funded. See section on Meeting the changing needs of users or beneficiaries for further details about facilitating other activities on charity property.

Trustees of a community centre charity contacted the Charity Commission because they wanted to enter into a lease arrangement with the charity’s trading subsidiary. In this case, authorisation by means of an order was required to allow the transaction (which would be to a connected person as defined by Schedule 5 of the Act) to go ahead. The Charity Commission was satisfied that the proposal was expedient in the interest of the charity and the order was duly sealed.

Holding or custodian trustees

Charities that are not incorporated, such as trusts or associations, do not have a legal identity and cannot hold land in their own name. This is true for most village hall charities. For these charities, land must be held on behalf of the charity by nominated holding trustees or a corporate body.

The Charity Commission frequently sees problems where individuals nominated as holding trustees move from the village or pass away. The Charity Commission can enable trustees to vest a charity’s land in the Official Custodian for Charities. This has the advantage of saving the charity the expense of making a new deed every time the holding trustees change. It also removes the risk of the charity land remaining vested in individuals who are no longer involved with the charity or may prove difficult to trace. The Official Custodian or holding trustees cannot take part in managing any land vested in this way. The charity trustees keep all of their powers and duties of management and their powers to dispose of the land.

For further information, see our leaflet The Official Custodian for Charities’ Land Holding Service (CC13). Trustees who want to make use of this service can request an application pack, “How to vest charity land” (reference RED-1091) by telephoning our Contact Centre.
Selling land

Disposal of charity land is an area which can cause problems for trustees because of the complexities involved. When intending to dispose of land, trustees of an effective charity will:

- ensure that they have a power of disposal;¹⁹
- seek legal advice at an early stage; and
- consult with, and communicate their plans as fully as possible to, the charity’s users and beneficiaries.

By doing this, trustees will ensure that they meet the legal requirements connected with land transactions, cut down on the number of times they have to consult with us and minimise the possibility of falling into disputes with the community. Charity Commission publication Disposing of Charity Land (CC28) provides guidance for trustees involved in any form of disposal (eg selling, leasing, mortgaging).

The trustees of a memorial hall which was in a poor state of repair wanted to wind up the charity, sell the land and use the proceeds of sale to provide a new, purpose-built hall and also a separate sports facility and recreation ground. The hall’s governing document gave the trustees a power to dissolve the charity and apply the proceeds for the benefit of the community so the trustees were able to do this without having to apply to the Charity Commission for formal consent. The trustees intend to purchase a new hall and recreation ground, which will be registered in due course.

The property of village hall charities is usually held “in specie”, that is, given on trust for a specific purpose.²⁰ Any disposal of part or all of that land will therefore be a breach of trust unless the charity’s governing document gives an explicit power of disposal or unless the proceeds of sale are used to replace the land for use for the same purposes. Depending upon the circumstances, the Charity Commission may be able to make a scheme to authorise trustees to sell property if the governing document does not allow it.

Where land is held for a specific purpose of charity, section 36 of the Charities Act requires that, before deciding to sell or lease the land, trustees must give public notice of their intention to dispose of that land. This is to ensure that the people who may be affected by the disposal of the land have an opportunity to give their views to the trustees. The Charity Commission commonly finds that this step is overlooked by trustees and this can sometimes give rise to problems with the transaction and may create bad feeling in the community.

Spending permanent endowment

Sometimes, some of the charity’s land, buildings, investments or cash are permanently endowed, but the trustees need to find extra money to pay for essential work such as repairs to the charity’s buildings.

The Charity Commission can, if appropriate, authorise the trustees to spend some of the permanent endowment, but usually only on the understanding

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¹⁹ Such a power may be in the governing document or trustees may be able to rely on the statutory power of disposal.
²⁰ See Annex A - Glossary of terms for a definition of specie property.
that it will be replaced out of future income. If the trustees can demonstrate exceptional circumstances why the permanent endowment has to be spent but cannot be replaced, we may authorise this also. For further information on this see Charity Commission publication Expenditure and Replacement of Permanent Endowment (CC38).

VAT

Changes to policy regarding exemption from VAT over the building of village halls or the extension of existing facilities have led to an escalation of building costs for many village halls. VAT is not an area where the Charity Commission has any role to play but it was raised by many of the interviewees in our research as a cause for concern. Trustees should consult HM Customs and Excise for further information on this matter.

When considering a charity’s property or the building from which it operates, trustees of an effectively run village hall or community centre will:

• consult with, and communicate their plans as fully as possible to, the charity’s users and beneficiaries when they intend to dispose of a building;

• take advice from a legal advisor and/or from the Charity Commission early in matters to do with land, buildings or proceeds of sale therefrom;

• ensure that any project to build a new hall or replace an old building is well planned and consider whether they will have the resources and level of interest to see the project through to completion;

• include in the terms of an appeal to raise funds for a new building, details of how the funds will be used if the funds raised are insufficient for the original plan;

• take legal advice before agreeing the terms of a lease, and ensure that the terms are agreed on which the lease can be terminated early; and

• be proactive in protecting the charity’s property and know exactly the extent of the charity’s land holdings.

Related Charity Commission Guidance:

Acquiring Charity Land (CC33) and Disposing of Charity Land (CC28) outline the areas that trustees should consider in these matters, the statutory requirements that they must meet and the points at which Charity Commission involvement is required. More details can be found in our Operational Guidance Disposals of charity interest in property (OG 54) available on our website.

Charities’ Reserves (CC19) sets out what a charity should do to explain its reserves and gives best practice advice to help trustees and senior staff make decisions about reserves levels in a way that is consistent with the legal requirements for the use of charity income.

Charity Reserves (RS3) examines in detail the issues surrounding reserves and restricted funding. Small Charities and Reserves (RS5) is as above but focuses on small charities.

Collaborative Working and Mergers (RS4) explores the opportunities and challenges of charities working together and makes recommendations to enable well-planned partnerships to flourish.

Disaster Appeals: Attorney General’s Guidelines (CC40) sets out guidelines to help people setting up an appeal to avoid the problems commonly associated with them.
Expenditure and Replacement of Permanent Endowment (CC38) explains the circumstances in which trustees can be given authority by us under the Charities Act 1993 to spend part of the charity’s permanent endowment. Charity Commission publication “How to Vest Charity Land in the Official Custodian” (RED-1091) explains the procedure in detail and includes an application pack.

Milestones: Managing key events in the life of a charity (RS6) looks at the issues and phases of development that are common to many charities. It includes a checklist of questions for trustees to ask themselves at various stages of development.

The Official Custodian for Charities’ Land Holding Services (CC13) explains the services of the Official Custodian for Charities.

Small Charities: Transfer of Property, Alteration of Trusts, Expenditure of Capital (CC44); Operational Guidance Small Charities: Disposal of Charity Land and Buildings (OG 204); and information sheet Disposals of land and buildings with particular reference to recreation grounds (SCU 10) provide guidance on disposals tailored specifically for small charities.
Funding can take many forms, including grants, loans, donations, legacies, rent charges, service fees or membership fees. It is up to the trustees and managers to identify the most suitable and most sustainable sources of income for their charity.

The Charity Commission’s area of interest is in how charities manage these income streams and how they account for their income and expenditure. We advise on the law relating to fundraising and on charities’ maintenance of independence from funding bodies in their governance. We provide a range of publications that give guidance and best practice examples for charities in relation to managing and accounting for their income.

All village halls and community centre buildings are required to meet a range of legal requirements such as fire, food hygiene, health and safety directives and those that fall under the Disability Discrimination Act. Funding for refurbishment is therefore a prime concern for many charities, especially those that own old buildings that are difficult to bring into line with modern legislation.

The trustees of a village hall that could only be accessed via a large set of steps found that it was not viable to make the alterations that would be necessary to improve access for people with disabilities. The trustees decided to rebuild on an alternative site, having ascertained that they had the necessary authority to do so. In planning a new building the trustees were also able to address other issues such as the inclusion of toilets with disability access. These trustees were able to fund the rebuild out of the proceeds of sale of the previous property.

Grant funding

Village hall and community centre charities face many of the same issues that apply to other charities in relation to generating funds. For example, in our research, trustees stated that grant funding for activities with a clearly identifiable impact and outcomes was much easier to obtain than funding for core costs such as building maintenance and ongoing activities (as opposed to projects). Trustees and managers of grant funded charities also reported managing a number of grants, sometimes as many as 30 or 40, which requires careful monitoring to make sure that they are accounted for and renewed at the right time. This reflects the findings of previous research (see our report Milestones: Managing key events in the life of a charity (RS6) for details and best practice suggestions in this area).

A recent development in the sector is the rise of “one-stop shops” in rural areas. This essentially means that a wide range of services can be housed under one roof. This began as a Government funding initiative and the first centre was opened in 2002. It included a post office, village shop, IT access centre and community office. This meant that many public services were brought to the community instead of people having to travel to the nearest town. However, the success of the project was dependent on securing substantial funding from the Countryside Agency and receiving high levels of support from the local authority and parish council.

The centre continues to serve as a model of how effective local partnership can be and illustrates the benefits of joint working but charities should be aware of the substantial financial support that the initiative received and should be careful that their plans are not over ambitious.
Funding for building maintenance and renovation

Trustees of village hall and community centre charities have reported difficulty in obtaining the funding necessary to run and maintain their building, especially where the charity’s facilities were underused or the building was in need of repair or modernisation.

“The government is helping to support community activity, but buildings also matter. We’re conscious that there’s a widespread concern about lack of funds to build or renovate village halls.”

- Margaret Beckett, MP

Property costs are a key concern for village hall and community centre charities. Community centres usually lease their property whereas village hall charities own theirs so the funding issues are sometimes different. However, community centres often have a full repairing lease over their property which means that they must fund any repairs and alterations to it. Trustees should not take on such a lease unless they know how they will fund those costs.

Funding for property maintenance and for adapting the building to meet regulations can be difficult to obtain in its own right. However, grant makers are more willing to provide these costs as part of a project that has identifiable outcomes. For example, a charity may find it difficult to get a grant to install lifts to improve access for people with mobility problems. On the other hand, a grant for activities that reduce unemployment among people with disabilities is more likely to be successful, with the funding for lifts forming part of that.

This emphasis on measurement of outcomes is increasingly prevalent and it encourages trustees to think more carefully about what their activities will achieve. It is therefore an incentive for charities to increase their effectiveness. However, this emphasis on outcomes can be problematic for charities operating in areas in which such measures are more difficult to achieve and which only require funding for the maintenance of the property. Village hall charities seeking funding to maintain a facility for community recreation and interaction within a community that does not suffer from social or economic deprivation sometimes face large costs associated with running the hall that grant funders are reluctant to cover.

Funding bodies should be more aware of the need to maintain the buildings that enable community activities to take place.

Compatibility between funding and charitable objects

Grant funding changes as the priorities of funders and local and central government change. For example, village hall charities have been accustomed in the past to having easier access to lottery or government funding associated with rural regeneration. These funding streams are becoming more difficult to access as policies change and the amount of money available is reduced. Trustees need to consider other options and should think carefully about the type of funding they pursue.

The Charity Commission recognises that essential funding is often difficult to get but trustees should not allow funding priorities to determine the activities they provide. Meeting the needs of users and beneficiaries, with reference to the governing document, should always be the driving force in their decision-making.

New opportunities in funding

The Charity Commission has seen an increase in the number of charities applying for “green” funding. This is an example of charities making the most of the current trends in funding that should only be encouraged where it is a way for the charity to further its objects. For example, the Countryside Agency’s Doorstep Greens initiative, funded by the New Opportunities Fund (NOF) Green Spaces and Sustainable Communities’ scheme, provides grants to enable urban and rural communities to create an area of green space. A number of charities have contacted the Charity Commission for advice about this. Some charities have asked whether they can amend their objects so that they can qualify for this kind of funding. We will not usually consider such a request if the change of objects is required purely to access funding.

Grants are not the only form of funding. Others, such as charging fees, allow charities to carry out activities that are in keeping with their existing objects if the available grant funding does not. When a charity no longer has a viable future in its current form, other options such as combining with another similar charity or even winding up could be considered.
The Charity Commission became involved in a case in which the trustees of a charity proposed to turn land which had been the site of a village hall into a wildlife garden. The trustees were able to demonstrate that they had considered other options such as repairing the building to make it more user-friendly and had sought the opinion of the people of the village. The majority of those consulted were not in favour of the continued provision of a village hall and the consensus was that the land should be used as a wildlife garden area for recreational and educational purposes, open to all.

It was not clear at first how the proposed changes furthered the charity’s objects. However, consultation with the Charity Commission showed that the objects of the charity were sufficiently wide to permit the change of use and the charitable resources would still be used to meet the needs of the community. The charity went ahead with the proposed plans.

The trustees of a village hall charity contacted the Charity Commission with a query related to their application for funding under the Doorstep Green initiative. The trustees were concerned that the charity’s objects were not wide enough to include a Doorstep Green open space. They wanted the Charity Commission to make a scheme to enable them to include this provision in their governing document. In support of their application, the trustees stated that the Countryside Agency would only be willing to grant funding subject to the widening of the charity’s objects.

Further examination of the charity’s Trust Deed showed that it could acquire and use the land as a Doorstep Green without a scheme being necessary.

Whilst on this occasion a scheme was not required, other village hall charities may not have had the necessary power. The Charity Commission would not necessarily have made a scheme in these cases. The Charity Commission has to be confident that the scheme enables the charity to act in the interests of its users or beneficiaries and that it is not merely a means of meeting funders’ requirements.
Trustees should ensure that they have made the most of other funding streams rather than relying on grant funding if it does not allow them to accommodate the needs of their community within the terms of their governing document. Charities can raise money through other means such as charging fees for the hire of the hall, for example. See Charity Commission publication Charities and Trading (CC35) for details of when and how charities can trade.

When entering into any grant funding agreement, trustees should make sure that they fully understand the terms of the agreement and that it does not subject the charity or the trustees to any unnecessary risk. The same is true of contracts to deliver services. For complex agreements, trustees should seek professional advice.

Trustees should think carefully before accepting any grant that puts a charge on property and may need Charity Commission permission to enter into such an arrangement. It is important that trustees contact the Charity Commission early in these cases and provide all necessary supporting information to avoid delays.

Planning fund-raising

Trustees should ensure that funding forms part of a strategic plan, especially where grant funding is involved. It is unrealistic to expect charities to change overnight the kind of activities they provide or how they fund their organisation. These need to be step changes that form part of a well thought out longer term plan. Gaining funding for small, manageable projects, allows trustees to gain expertise and confidence that translates into an ability to demonstrate to funding bodies that the charity can manage such projects.

Our casework experience is that charities are gaining expertise in managing large grants and we now see fewer cases than we used to of charities that have accepted large grants that they cannot manage. This is partly because of a greater understanding of the need to develop organisational capacity and partly due to grant makers’ emphasis on the demonstration of impact and outcomes. Most grant makers require that charities have a plan showing how they will manage the income and what they aim to achieve with it.

A community centre that was dependent on the local authority for its main funding had that funding withdrawn after allegations of financial irregularities. The charity was unable to account for large sums of money which had been used in cash transactions.

The Charity Commission became involved to establish whether the trustees were properly managing and administering the charity and to determine the charity’s future following the withdrawal of grant funding. It was evident that the charity’s internal financial controls were inadequate as no proper checks were made, no paper audit trail was available for inspection and trustees couldn’t give an explanation for why cash transactions were considered to be necessary. The trustees had not been in office long and were not fully familiar with their responsibilities. For example, they did not know who the directors of the charity’s trading subsidiary were or that it was their responsibility to elect the trading subsidiary’s members since the charity was its only member. Equally, the majority of trustees were unaware that the operation of the bar on the charity’s premises did not fall within the objects of the charity.

The trustees have since made attempts to rectify matters following the advice of the Charity Commission. Improvements to the charity’s planning and administrative processes are evident and they have taken on board the advice given with regard to their duties and responsibilities as trustees. They have also appointed new directors to the trading subsidiary and put the separate management of the bar on a proper footing. The future of the charity is still uncertain but it is clear that it will regain the financial support of the Local Authority if it continues to comply with the Charity Commission’s recommendations.

Section 38 of the Charities Act 1993 applies for charities in England and Wales where the security takes the form of a mortgage or charge over land in England and Wales, and those charities will need an order of the Charity Commission to enter into such security. The Big Lottery Fund often requires a charge over land so a substantial number of such applications are likely to arise. It has therefore been agreed between the BLF and the Charity Commission that a Protocol be entered into to ensure consistent and efficient dealings in relation such applications.

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Licensing and hiring of facilities

Other funding options open to trustees may include charging fees and selling licenses for use of the hall. The more the hall is used, the greater the income from these sources, so the points about increasing community involvement made in the section Meeting the changing needs of users or beneficiaries are also important in terms of increased funding. However, the charges made for hire of the hall often do not cover its running costs because rates should be set at a level that is affordable by the community. Trustees should be careful about increasing the rates they charge because too great an increase could have the effect of excluding certain groups from using the charity and this could threaten its charitable status.

Virtually all activities and services provided in a village hall will be subject to legal requirements. Trustees need to be aware of what licence, authority or permission will be required. The Licensing Act 2003 changed the rules about the provision of public entertainment and the sale of alcohol. During 2005/2006 the Public Entertainment Licence or Community Premises Licence will be replaced by the Premises Licence. The Premises Licence will be needed in order to hold public entertainment, film shows, indoor sporting events, performance of live or recorded music, dance performances and plays. It can also include the sale of alcohol.

Trustees and users groups of a village hall can give a Temporary Event Notice (TEN) to the licensing authority where premises are to be used for one or more licensable activity for which they do not have a premises licence; this can include the provision of alcohol. The new Licensing Act limits the number of TENs allowed to twelve per year which, of course, means that charities using this form of permission can only host an average of one event per month. If this severely reduces a charity’s income, trustees should consider whether a Premises Licence that includes the sale of alcohol or a separate bar would be appropriate. Trustees should take professional advice about this and contact the Charity Commission and/or ACRE or Community Matters who can advise on the options open to them.

Charities that generate a lot of their income through events should be careful about establishing a permanent, commercial bar facility because there is a danger that the charity will evolve into a “social club” or “community pub”. This is not charitable and could jeopardise the charitable status of the organisation. See Charity Commission publications Providing Alcohol on Charity Premises (CC27) and Providing Alcohol on Charity Premises (OG63), which were produced in response to the number of problems the Charity Commission saw in relation to this issue.

In obtaining a Temporary Event Notice, trustees should consider whether the groups they allow to hold events are those that most closely reflect the charity’s objects or whether giving use of the space and license to one user group will prevent another group with activities closer to the charity’s objects from accessing its facilities. With the new limitations on the number of events charities can hold, there could be a temptation to give preference to those groups that are likely to spend the most money.

Trustees’ decisions about their charity’s activities must always be made with reference to the charity’s objects. This is true for all activities that the charity runs - those that further its charitable objects and reflect the needs of the community must be given priority. Where the licensing laws or other factors such as the use of hotels rather than village halls for wedding reception are having a negative impact upon a charity’s income, trustees need to be imaginative about the other options open to them. Any changes should be made with consideration of such implications as its effect on charitable status and potential additional costs.
When considering funding options, trustees of an effectively run village hall or community centre charity will:

• ensure that their activities are not directed by the policies of grant makers and that any activities for which they are funded are permitted within the terms of their governing document;

• only seek to raise funds through commercial or non-recreational activities if they have the necessary power, where there is a clear need to do so and where these activities will not put the charitable status of the organisation at risk or impinge upon its ability to provide charitable activities;

• recognise that funding is increasingly dependent on measurement of impact and outcomes and put the necessary mechanisms in place to make these measurements;

• ensure that they fully understand the terms of any grant funding agreement and that it does not subject the charity or the trustees to any unnecessary risk;

• be careful about increasing the rates they charge for use of their facilities because too great an increase could have the effect of excluding certain groups from using the charity and this could threaten its charitable status;

• take professional advice when considering their licensing options for the provision of alcohol; and

• consider whether the groups they allow to hold events under a temporary license to sell alcohol are those that most closely reflect the charity’s objects.

Related Charity Commission Guidance:

Charities and Fund-Raising (CC20) explains charity fund-raising law and gives general advice on fund-raising. A summary version CC20a is also available.

Charities and Trading (CC35) explains when charities may engage in trading activities for fundraising purposes, and when a separate subsidiary trading company should be established to carry out those activities.

Providing Alcohol on Charity Premises (CC27) and Providing Alcohol on Charity Premises (OG63) provide guidance on keeping the bar separate from the charity.

Milestones: Managing key events in the life of a charity (RS6) looks at the issues and phases of development that are common to many charities. It includes a checklist of questions for trustees to ask themselves at various stages of development. Best practice suggestions for fund-raising and trading are covered in this report.
Annex A - Glossary of terms

The term **Village Halls and Community Centres** is used to describe charities that provide space and facilities for community services and activities. They may not have either ‘village hall’ or ‘community centre’ in their registered title. Other titles include community association, memorial hall, reading room, and village institute.

A **breach of trust** occurs when trustees act outside the terms of their governing document or the requirements of trust law. A trustee found to be in breach of trust can be held personally responsible for liabilities incurred by or on behalf of the charity, or for making good any loss to the charity.

**Charity trustees** are the people responsible under the charity's governing document for controlling the management and administration of the charity (s.97(1) of the Charities Act 1993). They may be called trustees, managing trustees, committee members, governors or directors, or they may be referred to by some other title. In the case of an unincorporated association, the members of the executive or management committee are its charity trustees. In the case of a charitable company it is the directors.

A governing document is any document which sets out the charity’s purposes and, usually, how it is to be administered. It may be a trust deed, constitution, memorandum and articles of association, conveyance, will, Royal Charter, Scheme of the Commission or other formal document.

A **nominee** is an individual or corporate body, normally appointed by the charity trustees, whose functions is to hold the legal title to the charity’s property or investments on behalf of the charity’s trustees. Sometimes known as **custodian** or **holding** trustees, nominees have no role as such in the charity’s management. They must act on the instructions of the charity’s trustees unless they are told to do anything which is in breach of trust.

The **Official Custodian for Charities** is a corporation created by statute to hold land on behalf of charities; in practice, he/she is a member of the Charity Commission’s staff who is appointed to this role by the Commissioners. If land is to be held by the Official Custodian it has to be vested in him/her.

An **order** is a legal document made by us authorising the charity trustees to carry out an act which otherwise they have, or may have, no power to do. It can also confer a more general authority. For example, an Order may:

- Confer on the trustees a power of amendment, subject to certain limitations.
- Provide additional powers not currently available in the governing document.
- Authorise a payment as being expedient in the interests of the Charity.
- Give the trustees power to add or amend specific administrative provisions in the charity’s governing document.
- Provide a power to spend capital on terms of replacement.

The authority it provides can only be discretionary: trustees must be able to choose whether or not to exercise the authority granted by the Order. However, the Charity Commission can impose mandatory conditions which must be followed if the power is exercised.

**Permanent endowment** means property of the charity (ie land, buildings, investments or cash) which the trustees may not spend as if it were income. It must be held permanently, sometimes to be used in furthering the charity’s purposes, sometimes to produce an income for the charity. Trustees cannot normally expend permanent endowment without our authority.

**Primary purpose trading** is a trade exercised by a charity in the course of the carrying out of its objects. The following are examples of what might be regarded as trading in this manner:

- The provision of educational services by a school or college in return for course fees.
- The provision of residential accommodation by a residential care charity in return for payment.
- A trade in which a primary purpose of the charity is carried out by beneficiaries.
A scheme is a legal document which amends, replaces or amplifies the trusts of a charity. It may be:

- a fully regulating scheme which deals with all aspects of a charity’s administration and becomes the governing document of the charity; or

- a scheme dealing with some particular aspect of the charity’s purposes or administration by amending or amplifying the charity’s governing document, or by authorising a particular action prohibited by the trusts of the charity.

A small charity is broadly defined in terms of its income. If a charity has an annual income of £10,000 or less recorded on our database in its last full financial year we will consider it to be a small charity. Almost 100,000 charities in England and Wales fall into this category.

Specie property is land required to be used for a particular charitable purpose.

Subsidiary trading company means any non-charitable trading company owned by one or more charities to carry out trading activities on behalf of the charity(ies) with a view to raising funds in a tax efficient manner.

Trustee board. We use the word ‘board’ to refer to a charity’s governing body.

Must is used to refer to actions that trustees, or their agents or employees, are obliged to take by law.

Should is used to suggest actions which we consider to be good practice and which we expect trustees to follow.
Annex B - Research methodology

Research for this report took the form of a statistical analysis of Charity Commission records of cases opened for village hall and community centre charities, as well as detailed examination of Charity Commission casework experience. We interviewed a large number of trustees of village hall and Community centre charities and consulted advisory and umbrella groups with experience of working with village hall and community centre charities.
Our website offers a wide range of easily accessible online services, tools, information and guidance. Before contacting us for advice or help you might like to search our online database of frequently asked questions. Most people can find the answer they need without making a phone call or writing an email. Alternatively, our Contacting us page is linked to from the top and bottom of every webpage.

**Organisations that provide information, advice, training and grants**

**Action with Communities in Rural England (ACRE)**

ACRE is a national charity whose purpose is to support sustainable rural community development. ACRE and its network of Rural Community Councils provide a Village Hall Information and Advice Service and organise training events for Village Hall advisers to keep them up to date with current changes and proposed developments in legislation. A series of information sheets is available on request, together with a model constitution. ACRE also provides the secretariat to the National Village Halls Forum which offers a voice for representatives of village hall management committees and other organisations with similar interests.

ACRE has recently produced the Governance Plus Project in partnership with Community Matters. This is a project aimed to develop and disseminate material and resource packs designed to help community hall management committees to develop their governance capacity. It includes “Village Hall Health Check: Legal requirements and good practice for the village hall”, “Are you serving your community well” and “Social and Community Enterprise, the future for village and community halls”.

ACRE
Somerford Court
Somerford Road
Cirencester
Gloucestershire  GL7 1TW

Tel: 01285 653477
Fax: 01285 654537
Email: acre@acre.org.uk
Website: www.acre.org.uk

**Association of Charitable Foundations (ACF)**

ACF promotes and supports the work of charitable grant-making trusts and foundations.

Association of Charitable Foundations
2 Plough Yard
Shoreditch High Street
London  EC2A 3LP

Tel: 020 7422 8600
Website: www.acf.org.uk

**Association of Chief Executives of Voluntary Organisations (ACEVO)**

ACEVO provides good practice resources and information on sector issues.

Association of Chief Executives of Voluntary Organisations
83 Victoria Street
London  SW1H OHW

Tel: 0845 345 8481
Email: info@acevo.org.uk
Website: www.acevo.org.uk

**The Big Lottery Fund**

The Community Fund and the New Opportunities Fund have merged to become the Big Lottery Fund. The Big Lottery Fund distributes money raised by the Lottery to support charities and voluntary groups.

The Big Lottery Fund
1 Plough Place
London  EC4A 1DE

Tel: 020 7211 1800
Enquiries: 020 7211 3737
Fax: 020 7211 1750
Minicom: 020 7747 5347
Email: enquiries@biglotteryfund.org.uk
Website: www.biglotteryfund.org.uk

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1 Please note that this is by no means a definitive list.
Black and Ethnic Minority Support Team (BEST Cymru)

BEST Cymru is a partnership between the All Wales Ethnic Minority Association (AWEMA), Black Voluntary Sector Network Wales (BVSNW), Minority Ethnic Women’s Network (MEWN Cymru) and the Scarman Trust. It provides support to black and minority ethnic communities and organisations including advice on a variety of issues such as running community groups, fundraising and charitable status and registration.

Details of individual contacts can be found on the website: www.best-cymru.org

Business Community Connections (BCC)

BCC is a charity dedicated to helping other charities obtain more support from business.

Business Community Connections
Gainsborough House
2, Sheen Road
Richmond upon Thames
Surrey  TW9 1AE

Tel: 020 8973 2390
Email: info@bcconnections.org.uk
Website: www.bcconnections.org.uk

Centre for Effective Dispute Resolution (CEDR)

CEDR runs a mediation service in partnership with the NCVO. It also runs another mediation service designed specifically to resolve disputes relating to the Compact between the Government and the voluntary sector.

Centre for Effective Dispute Resolution
International Dispute Resolution Centre
70 Fleet Street
London  EC4Y 1EU

Tel: 020 7536 6000
Fax: 020 7536 6001
Email: info@cedr.co.uk
Website: www.cedr.co.uk

Charities Aid Foundation (CAF)

CAF helps non-profit organisations in the UK and overseas to increase, manage and administer their resources.

Charities Aid Foundation
Kings Hill
West Malling
Kent  ME19 4TA

Tel: 01732 520 000
Website: www.cafonline.org

Charity Trustee Networks

The charity trustee networks offer mutual support by encouraging and developing self-help trustee network groups providing cost effective, peer to peer consultancy and mentoring.

Charity Trustee Networks
PO Box 633
Godalming  GU8 5ZX

Tel: 01428 682252
Email: info@trusteenetworks.org.uk

Community Development Foundation (CDF)

The Community Development Foundation (CDF) is a non-departmental public body supported by the Active Community Unit of the Home Office with substantial support from local government, charitable trusts and the private sector. Its role is to pioneer, study and promote new forms of community development, in order to inform public policy, professional practice and community initiatives.

Community Development Foundation
60 Highbury Grove
London  N5 2AG

Tel: 020 7226 5375
Email: admin@cdf.org.uk
Website: www.cdf.org.uk
Community Matters

Community Matters is the nationwide federation for community associations and similar organisations across the UK with 1100 member organisations across the UK. Its role is promoting and supporting action by ordinary people in response to social, educational and recreational needs in their neighbourhoods and communities. It provides advice and training on a broad range of issues.

Community Matters worked with ACRE to develop the Governance Plus project. See details above.

Community Matters
12-20 Baron Street
London  N1 9LL
Tel: 020 7837 7887
Fax: 020 7278 9253
Email: communitymatters@communitymatters.org.uk
Website: www.communitymatters.org.uk

Institute of Chartered Secretaries and Administrators (ICSA)

ICSA provides information and good practice guidance on governance issues affecting the sector. They also have a trustee register available to charities needing new trustees.

Institute of Chartered Secretaries and Administrators
16 Par Crescent
London  W1B 1 AH
Tel: 020 7580 4741
Email: info@icsa.co.uk
Website: www.icsa.org.uk

Directory of Social Change (DSC)

The DSC promotes positive social change and provides a wide range of resources for trustees.

24 Stephenson Way
London  NW1 2DP
Tel: 08450 77 77 07
Website: www.dsc.org.uk

Institute of Fundraising (IoF)

The IoF aims to promote the highest standards of fund-raising practice.

Institute of Fundraising
Market Towers
1 Nine Elms Street
London  SW8 5NQ
Tel: 020 7627 3436
Email: enquiries@institute-of-fundraising.org.uk
Website: www.institute-of-fundraising.org.uk

Ethnic Minority Foundation (EMF) and the Council of Ethnic Minority Voluntary Organisations (CEMVO)

EMF and CEMVO develop resources for black and minority ethnic organisations, these include networking and training opportunities and a trustee register.

EMF/CEMVO
Boardman House
64 Broadway
Stratford
London  E15 1NG
Tel: 020 84320 307
Email: enquiries@emf-cemvo.co.uk
Website: www.ethnicminorityfund.org.uk

National Association for Councils for Voluntary Service (NACVS)

NACVS is the national umbrella body for Councils for Voluntary Service in England. A local Council for Voluntary service provides advice, support and information to voluntary organisations and charities in their area, including help with charity registration. The National Association can put charities in touch with their local CVS.

National Association for Councils for Voluntary Service
3rd Floor Arundel Court
177 Arundel Street
Sheffield  S1 2NU
Tel: 0114 278 6636
E-mail: nacvs@nacvs.org.uk
Website: www.nacvs.org.uk
National Council for Voluntary Organisations (NCVO)

Information available on fund-raising and governance issues and a range of general support services.

National Council for Voluntary Organisations
Regent’s Wharf
8 All Saints Street
London  N1 9RL

Tel: 020 7713 6161
Helpdesk: 0800 2798 798
Email: ncvo@ncvo-vol.org.uk
Website: www.ncvo-vol.org.uk, www.askncvo.org.uk

Rural Community Councils (RCC)

RCCs are county-based charities working to promote the welfare of local communities through voluntary effort and by encouraging people to help themselves. RCCs often have a Village Hall Adviser who will have extensive knowledge of the village halls in their area. They operate under the umbrella of ACRE which can provide relevant contact names and addresses.

VolResource

An internet-only resource for charities that offers quick links to useful organisations concerned with the effective running of charities.

Email: info@volresource.org.uk
Website: www.volresource.org.uk

Volunteering England

This is the national volunteer development agency for England and works to promote volunteering as a powerful force for change, both for those who volunteer and for the wider community.

Volunteering England (London office)
Regents Wharf
8 All Saints Street
London  N1 9RL

Tel: 0800 028 3304
Email: information@volunteeringengland.org
Website: www.volunteering.org.uk

Wales Council for Voluntary Action (WCVA)

The WCVA represents the interests of, and campaigns for, voluntary organisations, volunteers and communities in Wales. It provides a comprehensive range of information, consultancy, funding, management and training services.

Wales Council for Voluntary Action
Baltic House
Mount Stuart Square
Cardiff Bay
Cardiff  CF10 5FH

Tel: 029 20431700
Helpdesk: 0870 607 1666
Email: enquiries@wcva.org.uk or help@wcva.org.uk
Website: www.wcva.org.uk

Government departments

Countryside Agency

The Countryside Agency is the statutory body established to conserve and enhance the countryside and to promote social equity and economic opportunity for all who live there and to help everyone, wherever they live, enjoy the countryside. A means of delivering this service is grant aid including the Active Communities initiative enabling local people to tackle the issues facing their rural communities.

Countryside Agency
South East Region
Dacre House
19 Dacre Street
London  SW1H 0DH

Tel: 020 7340 2900
Website: www.countryside.gov.uk
HM Revenue & Customs

HM Revenue & Customs (HMRC) have a quick link for charities on the first page of its website. On the website you can access a wide range of guidance material for charities. Information includes details of VAT and tax issues for charities, including Gift Aid. HMRC has an email enquiry service and helpline.

HMRC Charities
St Johns’ House
Merton Road
Liverpool, L75 1BB

Tel: 0845 302 0203 (8am-5pm Monday to Friday)
Email: charities@hmrc.gov.uk
Website: www.hmrc.gov.uk

Land Registry

Provides information on issues relating to land, for example registering title. Refer to the website or your local telephone directory for contact details. General information is available from:

Tel: 0207 917 8888
Website: www.landreg.gov.uk

Journals, magazines and newspapers

Charity Finance
3 Rectory Grove
London SW4 0DX

Email: rcoley@charityfinance.co.uk
Website: www.charityfinance.co.uk
Subscriptions tel: 020 7819 1200

Charities Management

Mitre House Publishing
The Clifton Centre
110 Clifton Street
London EC2A 4HD

Subscriptions tel: 020 854 27766

Charity Times

Website: www.charitytimes.com
Subscriptions tel: 020 7426 0496/0123

Community Affairs Briefing

E-mail: mail@corporate-citizenship.co.uk
Website: www.corporate-citizenship.co.uk/publications
Fax: 020 7945 6138

The Guardian/Society

Website: www.SocietyGuardian.co.uk

Third Sector

Email: subscriptions@haynet.com
Website: www.thirdsector.co.uk
Subscriptions tel: 020 8606 7500

Voluntary Sector

Contact NCVO for details - see above.
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<td>Acquiring Charity Land (CC33)</td>
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<td>Charity Commission, (2002)</td>
<td>Disaster Appeals (CC40)</td>
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<td>Charity Commission, (2003)</td>
<td>Expenditure and Replacement of Permanent Endowment (CC38)</td>
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Acknowledgements

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You can obtain large-print versions of this publication from the Charity Commission on 0845 300 0218.