

Schedule D

The parochial charity – scope and inclusions

Initial guidance notes

1. Background

- In the event that Church of Ireland parishes register as charities under new charities legislation issues arise as to the extent of coverage of the charitable registration and which organisations might fall within it, or should remain outside it. The same issues arise potentially also under a diocesan registration, but for ease of reference the paper following will refer to the parochial entity as it is at this level that decisions of inclusion or exclusion will be taken.
- This is not purely a legal or accounting question. The witness of a parish can be and usually is expressed in a broad variety of ways. The provision of community focus and cohesion has been historically a vital part of the work of the church at parish level and there is no predefined method of delivering that.

This paper provides guidance to assist parishes in making the judgement about which of the organisations with connections to the parish should be integrated as part of their parochial charity.

2. Issues to be considered

- a. Is the organisation an integral part of the witness of the parish?
- b. Does the organisation depend on funding from parish resources or benefit from the use of parish resources or property?
- c. Would there be any likelihood of confusion arising in the future over ownership or accountability relating to finances or property?
- d. Does the organisation have a national structure?
- e. Is the organisation separately registered as a charity?

a) Is the organisation an integral part of the witness of the parish?

There are some bodies and organisations which exist purely as functions of the witness of the parish and which would not exist otherwise. They would tend to be individual to the parish and not part of a national, structured organisation, although they may be replicated in most parishes of the Church of Ireland. In the past it may be that they have been at least partly funded directly from parish resources, although in some cases they may also raise funds as a result of their own activities.

Examples of such would be:

- The parish choir
- The Sunday school
- The parish youth club
- Senior citizens club
- Bible study group
- Parochial mothers and toddlers group
- Etc

All of these, and other such organisations, would usually derive direct finance or perhaps some benefit from the parish by using parish property, at the least. They also are directly aligned with the ministry of the parish and as such are fully integrated. Even if they raise funds separately for their own purposes or for general parochial purposes they will be perceived as part of the fabric of the parish, and as such of the parochial charity.

Their finances should be reported in the parochial annual accounts as the eventual utilisation of funds and value provided by the parochial charity is relevant to the donors of those funds and that value.

b) Does the organisation depend on funding from parish resources?

- If the organisation depends mainly on funding from parish resources or access to parish property it is likely that the organisation should be integrated with the parish for reporting purposes. In this case it is important to be careful to ensure that its charitable purpose conforms with the charitable purpose of 'a Church of Ireland parish'. Also that access to the organisation is not unreasonably withheld.
- Even if the organisation is not 'integrated' with the parish for reporting purposes, but receives some benefit from the parish financially or in the use of resources, it is important to ensure that its charitable purpose conforms with the charitable purpose of 'a Church of Ireland parish'. Its dependence on the resources raised by the parish charity means that the parish must demonstrate that it has not used resources inappropriately to maintain an entity with differing or even conflicting ends.
- As the Church of Ireland is open to all, there is no reason why membership of the Church cannot in many cases be a criterion for membership also of a related organisation. There is no clear definition of 'membership of the Church of Ireland' beyond a person's statement that they believe themselves to be a member.

Equally there is no requirement that all members of an organisation supported or mainly supported by the parish need be members of the Church of Ireland.

- Organisations falling into this category might include:
 - Bowling club
 - Tennis club
 - Drama society
 - Walking club
 - Etc

In many parishes these could be totally integrated, but in other cases they might be more appropriately separate, and if separate, may or may not be a charity in their own right.

- They can be totally integrated, and their finances and activities reported together with those of the parish. While their activities in themselves would not necessarily be defined as wholly with a charitable purpose, the same activities within a parochial structure could very well be classified as having a community building focus, and as such could fall within the acceptable scope of activities covered by the parochial charitable registration.
- It could equally be decided that a club or association, as above, is of a size or nature that would not easily be encompassed wholly within the parochial structure. In this case it would be necessary to ensure that :
 - All financial dealings between the parish and the relevant club or organisation are seen to be at arms length;
 - Any use of resources – eg the use of property - is understood and recorded as such;
 - Use of parochial resources to support the organisation or its activities can be justified within the stated purpose of the parochial charity;
 - Funds raised independently by the organisation are seen as being separate from the charitable activities of the parish, and cannot be included for tax benefit under the parochial charitable registration.

Funds raised by the ‘separate’ club or association may still be, if so desired, contributed towards parish funds, but as such would only have an entitlement to any tax relief if that separate club or association was registered as a charity in its own right.

c) **Would there be any likelihood of confusion arising in the future over ownership or accountability relating to finances or property?**

The new charities legislation provides an opportunity to clarify the situation where organisations and trusts share the benefit of resources, creating possible confusion over their ownership or their charitable status.

This could be where:

- I. A parochial property is held in trust by a number of named individuals;
- II. Two or more organisations share the use and management of a property.

I. Parochial property held in trust by named individuals

Issues:

- On the assumption that the property was originally purchased using parish funds, or was bequeathed to the parish for parochial purposes, ideally management of the property should not be separate from the normal governance practice of the parish – ie it should be the responsibility of the Select Vestry;
- Any terms of trust will not have been drawn up with the requirements of new charities legislation in mind, and may require amendment;
- The power of appointing new trustees may be vested in the trustees for the time being, and in time the connection to the parish of their successors may not be as strong as when the trust was originally established;
- Some property trusts may find that they cannot satisfy the requirements of the Charities Commission regarding activities, public benefit, governance, or accounting;
- The potential loss of charitable status for the property could affect taxation and property levy status, the tax status of future property transactions and stamp and other duties arising.

Given these and other potential issues, parishes should examine the structure of trusts held alongside or outside the normal governance structure of the Church, and consider if action is needed to ensure that such trusts should be consolidated where possible into the normal governance structure, and at the least that their governance is clear.

The normal governance of the Church would bring such trusts directly within the direct responsibility of the Select Vestry, and they could be vested with the RCB, the diocesan trustees, or at least merged with the new parochial trust based on the Select Vestry in circumstances where their purpose is complementary with the charitable purpose and Constitution of the Church of Ireland.

The parishes of the Church of Ireland derive their authority from the Bishop and the Diocese, and cannot exist otherwise. Assets purchased or provided for the use

of a Church of Ireland parish ultimately are provided for the furtherance of the aims and objects (the purpose) of the Church of Ireland, and thus should be subject to the governance of the Church and its Constitution, as altered from time to time in General Synod. There cannot afford to be any degree of uncertainty about the ownership and disposition of the Church's assets as held by the RCB, the dioceses, parishes or locally established trusts.

II. Two or more organisations share the use and management of a property

Where this has arisen in recent years it will usually be that necessary legal provision has been made to ensure that there is clarity around ownership and responsibility.

Where the shared use and management is of long standing it will be good practice to clarify ownership issues in a documented format, and the degree of shared responsibility for management, maintenance and insurance.

d) Does the organisation have a national structure?

A number of organisations traditionally have been associated with Church of Ireland parishes but have a distinct and separate national structure. These organisations may use the premises of the parish, or receive some degree of support from the parish, but this latter only on the basis that the objects of the separate national organisation are seen as convergent with, at least, a subset of those subscribed to by a Church of Ireland parish.

The finances of these should be kept separate, and relevant financial transactions recorded, or financial benefits arising noted. This could take the form of saying in notes to the accounts that various organisations were allowed the use of parochial resources at no charge (if that is the case), these being .. (followed by a list).

The sorts of organisations which would fall into this category would include:

- The Mothers Union
- The Scouting organisations
- The CMS
- The GFS
- Etc

e) Is the organisation separately registered as a charity?

If the related organisation is separately registered as a charity, the questions arising would include:

Is separate registration necessary?
Is separate registration beneficial?

By applying the criteria listed above, it should be possible to make a judgement about whether a separate registration is necessary. If an organisation has developed over time, and has separately registered as a charity, but it is wholly integrated into and supportive of parochial life, it may be appropriate to use the registration process to merge it into the mainstream parochial charity.

Conclusion

It is not possible to create a set of rules for each circumstance and historical situation faced by individual parishes, but the main considerations when deciding how to register are:

- The Select Vestry should become the central parochial charity;
- Good practice would require the activities of organisations to be included in parochial reports, where they are a fundamental part of the delivery of witness in the parish;
- Ideally all financial transactions of such organisations should be included in the parochial accounts;
- Where the amounts being provided to such organisations are in the form of a small annual grant, it may be possible to show the grant in the body of the accounts, and record in notes any balances remaining unspent in separate bank accounts of the organisation;
- Where an organisation is not integrated with the parish and uses parish resources, for example the use of property, this must be recorded in the parish accounts either through a note stating that the resource is supplied free of charge (and in this case the organisation must have complementary objects) or through a financial charge for the supply of the resource.

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March 2010