

Notice of Motion 2017/202: Applications for grants from the National Lottery

Contact Name and Details	Mrs Louise C Wilkins, Conference Officer for Legal and Constitutional Practice wilkinsl@methodistchurch.org.uk
Status of Paper	Final
Action Required	For decision
Draft Resolutions	37/1. The Council receives the report. 37/2. The Council approves the policy decision and guidance set out in the report.

Summary of Content

Subject and Aims	To suggest a way of implementing the intentions of NoM 202 from the 2017 Conference along with draft guidance for Managing Trustees
-------------------------	---

Notice of Motion 2017/202: Applications for grants from the National Lottery

Notice of Motion 2017/202: Applications for grants from the National Lottery

Currently, local church applications for grants from the National Lottery can be made without notification to or approval from either Circuit or District. This can expose churches to unforeseen risks and challenges.

The Conference directs that appropriate steps are taken to ensure that approval from the Circuit Meeting be required for any application to the National Lottery over £10,000 and, additionally, approval from the District Policy Committee be required for any application over £50,000.

The Conference further directs the Council to ensure that guidance is produced regarding the implications of successful bids on, for example, financial management, employer responsibilities and use of buildings in the context of the obligations of Managing Trustees.

Reasoned statement

Recent and ongoing experience relating to large grants obtained from the National Lottery has identified some concerns relating to such grants which we believe necessitate additional guidance from the Conference Office. Risks identified include: Lack of understanding of possibly conflicting National Lottery and Methodist Church regulations and systems; and the use of advisors, for whom the lottery provides funds, who understand the National Lottery but not the Church.

Local churches often have less experience than Circuit or District in assessing the expertise required to implement and manage large schemes, to assess long-term financial viability, or to employ more than one member of staff. That scenario poses a risk to Church property and to church office holders. The Lottery's view is that failure to fulfil their terms simply means they will find another partner to do the work. If this work involves Methodist Trust property such a change of partner might not be allowed under our standing orders, and may cause loss to the church which would be a concern to the Charity Commission.

There is a marked lack of awareness about trusteeship and what it involves which puts at risk both trust property and people's personal circumstances. The use of Charitable Incorporated Organisations to address trustee liability needs clear guidance as CIOs related to a church cannot have a majority of trustees from the church. To demonstrate clear independence a majority of trustees must be non-church trustees. That creates a problem with managing church property if the church trustees can be outvoted and by implication the church's Standing Orders overridden.

The Conference adopted the motion. [Daily Record 6/2]

Introduction

1. The Conference in 2017 adopted Notice of Motion 2017/202 as set out above.
2. The consents system is in the process of being amended to include a new provision for National Lottery grants being declared prior to application for approval. The Circuit Meeting will be notified of an application for more than £10,000 and where an application is being made for over £50,000, the Circuit Meeting and District Policy Committee will need to consent.

Grant Conditions

2. Generally managing trustees have no issue with the conditions imposed for grant funding being made but there can occasionally be conditions that might not always be in the long term interest of the Local Church. However, such conditions are often difficult for managing trustees to challenge given that they are being offered a substantial sum of money that will often be vital to the project they wish to undertake.
4. A common condition is that the church property which is being redeveloped with the grant funding is required to be available for community use. This is generally not an issue for a Local Church but there have been occasions where a management committee has interpreted this requirement as meaning the only purpose of the building is community use and there can be no worship. Clearly such a requirement, if binding on local church property in the way interpreted by the management committee, would not be acceptable to a Church Council or Circuit Meeting. However, it does highlight the difficulty that Church Councils can find themselves in when obtaining/having obtained grant funding.
5. Other conditions that grant funders seek to impose have included stipulating how Managing Trustees may conduct property valuations, and restrictions on carrying out future works or alterations.
6. Managing trustees need to be very careful when signing up to a funding agreement or grant contract to ensure that the terms and conditions do not effectively override the purposes of the property as set out in the Model Trusts or bind the use/income/capital of the property or land in perpetuity.
7. It is in light of the range of conditions that come with grant funding that it is proposed that the Council adopts a policy that requires consent for all applications for external grant funding over £10,000, not simply those from the National Lottery.

Standing Order

8. Standing Order 930 sets out when consent of the appropriate bodies is required for property transactions and particular types of structural or non-structural work. However there is no provision within Standing Orders for consent of the appropriate bodies to be obtained for applications for external grant funding.
9. Notice of Motion 2017/202 is limited to applications for National Lottery Funding. If the Council adopts a policy to require consent of the Circuit Meeting for an application by a Local Church for an external grant for over £10,000 and the Circuit Meeting and District Policy Committee consent

for an application over £50,000, an appropriate Standing Order will be drafted and presented to the 2018 Conference.

10. The Council will want to note that even where the Circuit Meeting or District Policy Committee have approved the application, there will still be a need for the grant contract/funding agreement to be approved in accordance with SO 931(3). The Trustees for Methodist Church Purposes currently undertake the role of approving contracts.

Online Consent Process Guide

11. The existing flowchart for the online consents process will be amended to include the thresholds and consent bodies indicated in this Notice of Motion and to ensure that this guidance is readily available to Managing Trustees.

Guidance

12. The Notice of Motion also directed the Council to ensure guidance is produced on the implications of financial bids and this guidance is set out below for the Council to approve.

*****RESOLUTIONS**

37/1. The Council receives the report.

37/2. The Council approves the policy decision and guidance set out in the report.

Guidance for Managing Trustees when applying for and accepting external grant funding

Making an application to an external grant funder

Any decision to make an application for grant funding must be taken by the Church Council (or Circuit Meeting if the circuit are applying for a grant) as the managing and charity trustees. The decision is for the Church Council even if there has been a delegation of responsibility for making the application to a committee.

Prior to making any application, a Church Council must consider what the requirements are for making an application. Some applications require copies of the constitution; for a local Methodist Church, it is best to send them a link to CPD found on the Methodist website or a copy of the Methodist Church Act 1976 and Deed of Union. Contact the Conference Office on 020 7467 5211 for more information.

Some application forms will require a charity registration number which local churches and circuits with a gross income of less than £100,000 per annum will not have as they are excepted from registration. For further information see the below link:

<http://www.methodist.org.uk/for-ministers-and-office-holders/finance/charity-registration/>

If the Church Council delegates responsibility for seeking funding to a committee it should set clear terms of reference and ask for regular reports. The Church Council must be clear that it is not for the committee to agree to any terms and conditions for a grant as it is ultimately the members of the Church Council that will have to comply with the terms of the grant.

If the application is for a grant of £10,000 or more, a request must be made via the online consents system and approval for the application received from the Circuit Meeting. If the application is for a grant of £50,000 or more, the request for approval must be made via the online consents system and approval obtained from the Circuit Meeting and District Policy Committee before the application can be made.

Requirement for Incorporated Status – Steps and Implications

There are occasions when grant funders require any body applying for a grant to be incorporated. Local churches, circuits and districts are all unincorporated members associations and it is not possible to transfer from being an unincorporated body to an incorporated body due to the requirements of Standing Orders. Ideally, there will be a conversation with the grant funder to explain the governance structures of the local Church and the condition will be waived.

If the grant funder is not prepared to alter their stance and the Church Council wishes to pursue the grant funding then it would be best for a Church Council to establish a Charitable Incorporated Organisation (CIO).

Model governing documents can be found on the Charity Commission website (for England and Wales – there is an equivalent provision for Scotland) and the Association model would be the most appropriate one for a local church. If you wish to explore this option then it is best to contact the Conference Office for further guidance on establishing a CIO for this purpose. There should be at least 50% of the members being members of the local church and the members of the Church Council will be the majority of the trustees of the CIO but there will need to be at least one independent trustee on the CIO. The purposes of the CIO should clearly reflect the purposes of the Methodist Church so as to ensure

the grant funder is fully aware that this is a body with advancement of the Christian faith as one of its charitable objectives.

The key point to note is that if the grant funder offers a grant to the newly established CIO, it is only that CIO that can utilise the funding, it cannot just be handed to the local church. Separate bank accounts and records must be kept.

If the funding to the CIO is for a church building, it is likely that there will need to be a lease of the whole or part of the building from the Church Council to the CIO and this will have to be at a market rent. The potential need for a lease will need to be considered carefully and clearly means that establishing a CIO in order to obtain grant funding may not always be the best option for a local church. For a further discussion please do contact the Conference Officer for Legal and Constitutional Practice on 020 7467 5278.

If grant funding is offered to the CIO, the trustees of the CIO (ideally a majority of whom will be members of the Church Council) will need to consider carefully any conditions of the grant eg restriction on use of the building benefitting from the grant or the income from the building or project. All the points for consideration by a local church as set out below should also be considered by the charity trustees of the CIO.

If the grant is accepted the CIO managing the project will need to ensure they are clear the staff that are working on the project are employed by them and if necessary, TUPE (with legal advice) from the Church Council.

When a Grant Offer has been made to a Local Church

If a grant application is accepted and an offer is made, the grant funder is likely to ask that a grant contract or funding agreement is signed by the managing trustees. On occasions particularly where the grant relates to the property, there may be a requirement for the Trustees for Methodist Church Purposes to be a party to the contract or agreement. TMCP has flowcharts available on their website for the steps to be taken.

www.t MCP.org.uk/money/grants

The Church Council has to be the body that resolves to accept the terms and conditions of a grant even if there has been a delegation to a committee. The Church Council in making the decision on whether to accept the conditions of the grant will need to consider:

- **How does the grant funder propose monitoring the use of the grant and are the Church Council sure they can satisfy the requirements?** Some grant funders require very complex financial information or Key Performance Indicators to be reported on and some managing trustees might struggle to fulfil the requirements and thereby default on the conditions of the grant.
- **What triggers repayment of the grant and for how long are the obligations for?** The condition to repay if the project ceases in the future or the local church ceases to meet should always be time limited.
- **Is there any restriction on selling the building in the future?** It is likely that the grant will have to be repaid if the grant is for building repairs or improvements and the building is sold but there should be a time limit to this condition.

- **Is there any restriction of the use of the building or part of the building that has benefitted from the grant?** The conditions should not bind the building to being used only for community purposes or similar as Model Trust premises have purposes that go beyond community use and the terms of the Model Trusts cannot be overridden by a condition within a grant contract.
- **Is there any restrictions on use of the income from the building or part of the building that has benefitted from the grant?** It might be that the funder requires income from the project/building to be re-invested into the funded project for a period of time, but this should not be indefinite.
- **Are the Church Council being prudent and diligent trustees by accepting this grant and its conditions?** Would the value of the assets of the local Church cover the repayment of the grant if repayment had to be made?
NB Charity trustees must not enter into a contract that would bind the trustees to repaying more than it held in assets. If members of the Church Council did enter into a contract that was higher than the value of the assets of the local church, the trustees could find themselves personally liable for the remaining balance.
- **If the grant is to cover in whole or part the cost of employing someone in a particular role, has advice been obtained on the terms of the employment contract?** If once the grant funding finishes, there is no ability to keep the employee in post, the employing body is likely to have to make the person redundant and be liable for the redundancy costs. The employing body must therefore be mindful from the outset as to how and where any redundancies costs will be paid from.

Once the Grant has been accepted

The Church Council will need to be clear with the Committee as to its terms of reference and the Church Council is still ultimately responsible for compliance with the conditions of the grant funding and that the delegation can be revoked at any time.

If a CIO has been established, then the trustees of the CIO are responsible for complying with the conditions of the grant funding. However the Church Council must appreciate that there will be reputational risk for the local Church even if the CIO is ultimately responsible for fulfilling the terms of the grant. The Church Council should ensure there are regular reports from the CIO.

For management purposes only, separate financial records may be kept for the project even if it is being run by the Church Council. This is in order to assess its success and viability and therefore to assist with monitoring requirements of grant funders.