

CHURCHES' LEGISLATION ADVISORY SERVICE

Registered Charity No 256303

ANNUAL REPORT FOR THE YEAR ENDING 31 DECEMBER 2011

DESCRIPTION OF TRUSTS

The Churches' Legislation Advisory Service came into existence on 8 March 2008 as the successor to the Churches Main Committee when the Charity Commission for England and Wales sealed the Scheme approving the changes.

The object of the charity is to advance the religious and other charitable work of its members by promoting their common interests in matters relating to the delivery of their work.

In pursuance of the object of the charity, its Governors have the following powers:

- (1) to provide information and general advice to members on issues such as those relating to property, finance, tax, employment and charitable status and, when appropriate, to arrange meetings for this purpose;
- (2) to co-operate with churches, other faith groups and secular bodies and to exchange information and general advice with them;
- (3) to act as a liaison body between members and government in the UK and Europe and other statutory authorities, to conduct negotiations with those authorities relating to matters within the charity's object and to take such action as may be thought fit in response to these negotiations;
- (4) to delegate the performance of any act, including the exercise of any power or discretion, to a sub-committee consisting of any two or more of the governors. The governors must exercise reasonable supervision over the sub-committee and the sub-committee must promptly report their acts and proceedings to the governors;
- (5) to appoint staff (who must not be trustees) and pay them reasonable remuneration, including pension provision for them and their dependants; and
- (6) to make rules and regulations consistent with the scheme for the management of the charity, including rules relating to membership and the conduct of elections.

DESCRIPTION OF THE ORGANISATIONAL STRUCTURE

The membership of the Committee comprises some 40 different Christian denominations and organisations in the United Kingdom, together with representation from the Jewish community, as Members and Associate Members, together with a group of Professional Members consisting of solicitors, accountants and chartered surveyors who advise religious organisations. It operates through a group of elected Governors who are elected by the Members and who meet three or four times a year under the chairmanship of a senior Bishop of the Church of England. It is serviced by a part-time secretariat supplied under contract by Central Lobby Consultants Ltd, which discharges the day-to-day responsibilities of the charity, subject to policy control and guidance by the Governors. The current contract runs for three years from 1 May 2010.

GOVERNORS & TRUSTEES

The Rt Revd Michael Langrish, Bishop of Exeter (Chairman *ex officio*)
Mrs Sheila Duncan (United Reformed Church) (co-opted from 10 June 2009)
The Revd Mark Fisher (The Free Churches' Group)
The Revd David Gamble (Methodist Church)
Mr Philip Putman (Baptist Union of Great Britain)
The Rt Revd Mgr Nicholas Rotherham (Roman Catholic Church in England and Wales)
Mr John Shirley (Church in Wales) [elected at the AGM on 8 June 2011]
Mrs Janette Wilson (Church of Scotland) [resigned at the AGM on 8 June 2011]

PUBLIC BENEFIT

Under the provisions of section 2(2)(c) of the Charities Act 2006, a purpose which is for the advancement of religion and is for the public benefit is regarded as charitable. The activities of the Churches' Legislation Advisory Service support the advancement of religion by bringing to the attention of member Churches issues of legislation and policy that might affect their activities and, where appropriate, by engaging with Government in relation to such issues. In doing so, they benefit the public indirectly by helping to promote the work of member Churches, thereby assisting them to provide the wide range of benefits which they, in turn, confer on the public.

REPORTING SERIOUS INCIDENTS

In pursuance of the Charity Commission's guidance on reporting serious incidents, the Governors & Trustees hereby declare that during the reporting year there were no serious incidents that they failed to bring to the Commission's attention.

PRINCIPAL ACTIVITIES OF THE CHARITY FOR THE YEAR ENDING 31 DECEMBER 2011

The Governors of CLAS met on four occasions in 2011, prior to general meetings of CLAS on 2 March, 8 June, 27 September and 1 December.

General Meetings

The purpose of general meetings is partly to enable representatives of member institutions to focus on particular current issues as they affect the Churches and partly to provide an opportunity for them to exchange views informally. Keynote speakers at the meetings have included specialists from within the Churches themselves and officials working on the relevant policy areas within Government.

2 March: *Charity taxation and the Churches.*

8 June: (Annual General Meeting) *The Big Society and faith-communities (at which the meeting was addressed by the Rt hon Greg Clark MP, Minister for Decentralisation, DCLG).*

27 September: *Recent developments in employment law*

1 December: *Marriage registration.*

In addition, on 24 August several members of CLAS attended a joint working group/briefing session on VAT and cost-sharing with HM Revenue and Customs, hosted by the Wellcome Trust in conjunction with the Charity Tax Group and the Charity Property Association.

Consultations

The Churches' Legislation Advisory Service seeks to ensure that the interests of its members in relation to current and future legislation are properly represented at every opportunity. Much of our work is concerned with averting the unintended consequences of policy proposals; and part of that process is to issue newsletters and e-mail briefings to alert members to matters of concern so that they can make appropriate representations themselves.

In addition, however, CLAS engages in consultations with every level of government and, where appropriate, with the European Commission. As well as responding to formal public consultations the CLAS secretariat is often consulted informally by the appropriate government department. We also initiate discussions ourselves and make representations on particular issues that are drawn to our attention by our members.

Formal consultations

CLAS responded to various formal consultations during 2011:

- the Government's Green Paper on Commissioning;
- the Charity Commission's strategic review;
- DCLG's consultation on business rate retention;
- DCLG's consultation on deregulation of activities controlled under Schedule 1 to the Licensing Act 2003;

- DCMS's consultation on the detail of the revised Listed Places of Worship Grant Scheme;
- DCMS's consultations on its proposed policy directions to the Big Lottery Fund and the Heritage Lottery Fund;
- English Heritage's consultation draft on metal thefts from listed buildings;
- English Heritage's consultation draft on new work in listed places of worship;
- the European Commission's Green Paper on VAT;
- HMRC's consultation on the proposed concession on Inheritance Tax in relation to charitable legacies;
- HMRC's consultation on the implementation of the mandatory VAT exemption in relation to cost-sharing; and
- OFCOM's consultation on securing the universal postal service and its proposals for the future framework for economic regulation.

In addition, the Secretariat made representations to the Treasury Solicitor in relation to the Attorney General's Reference to the Upper Tribunal (Tax and Chancery Chamber) as to the degree to which "poor employees" and "poor relations" trusts could be regarded as established for the public benefit. It was not possible for CLAS to intervene formally in the Reference simply on grounds of cost; but the legal issues are complex and the matter is of great importance in relation, for example, to religious trusts for the relief of poverty among retired clergy.

CLAS also submitted a brief in relation to what was then Clause 39 of the Localism Bill. The question at issue was the future of the mandatory 80 per cent and discretionary 20 per cent reductions in non-domestic rates for buildings occupied by charities – an issue of enormous importance for religious charities as well as for the voluntary sector generally. We secured an undertaking from the minister in charge of the Bill in the House of Lords that the proposals in Clause 39 would not result in any change in the mandatory or discretionary reductions.

CLAS also sent a memorandum to the House of Commons Treasury Committee's inquiry into the proposed closure of the cheque-clearing system. The result of the inquiry was that the Committee came out against the ending of cheque-clearing (in effect, the abolition of cheques). We return to this matter below.

Informal consultations

As well as responding to formal consultations and submitting memoranda to inquiries, the Secretariat continues to have informal contacts with a range of government departments and regulatory bodies.

Burial and Cremation

The Secretary represents the Churches' Funerals Group (of which he is a member *ex officio*) on the Ministry of Justice Burial and Cremation Advisory Group, in succession to The Revd Dr John Lampard. The Group meets more-or-less annually. The main issue currently before it is the question of the reuse of graves as a means of relieving the shortage of burial plots – a practice that is permissible under faculty in Greater

London but not elsewhere. This is an issue on which CLAS lobbied the previous Government without success; the suspicion is that ministers prefer to avoid the issue for fear of stirring up public animosity – though there has been no adverse reaction to the reuse of graves in Greater London.

Cheque-clearing

As noted in the Annual Report for 2010, the Secretary of CLAS was invited to join the UK Payments Council's Voluntary Sector Liaison Group established in the wake of the plan to abolish the cheque-clearing system in 2018. During the course of 2011 the proposal was rejected both by Treasury ministers and by the House of Commons Treasury Committee, the Payments Council conceded defeat and the scheme was dropped. However, cheque usage continues to decline by ten per cent year on year; and the members of the Group agreed with the Payments Council that there was merit in continuing to meet, in order to explore possible alternative methods of payment and money-transfer that would be usable and acceptable to customers.

Taxation

As in previous years the Secretariat has continued to have regular discussions with officials in HM Treasury and HMRC about taxation issues and their effects on churches as charities. Perhaps the most important recent issues have been the substantial donor rules and the need for changes to the operation of Gift Aid. The substantial donor rules have been reformed to (fairly) general satisfaction but the operation of Gift Aid is still work in progress.

In Budget 2011 the Chancellor announced a small donations scheme to come into operation in 2013 under which each charity would be able to claim Gift Aid on loose cash donations of £10 or below, up to an annual limit of £5,000, without having to provide Gift Aid declarations from the donors. This has the potential to be of considerable benefit to member Churches – at current levels of tax the maximum Gift Aid reclaimable for each charity will be £1,250 – but we understand that for technical reasons the necessary legislation cannot be included in the forthcoming Finance Bill and will require a free-standing bill of its own. CLAS is in touch with officials on this, in conjunction with the Charity Tax Group.

The more general issue of the administration of Gift Aid, and in particular the need to preserve an audit trail for each donor, continues to be an issue for discussion.

Liaison with others in the sector

The Secretary continues to be involved in the activities of the Charity Law Association, the Community Sector Law Monitoring Group and RADAR, the monthly meeting of the parliamentary liaison officers of the various denominations.

Outcomes of recent consultations

Music licensing and copyright

As a constituent member of the Community Sector Law Monitoring Group CLAS continued to take part in negotiations with the Performing Right Society and PPL (previously Phonographic Performances Limited) throughout 2011 in the hope of achieving an equitable agreement on licensing for the use of recorded music other than during church services [*in progress – to be completed at the end of the year*].

Surface water drainage

We have referred to the issue of charging for surface water drainage (SWD) in the Annual Reports both for 2009 and 2010. CLAS was consulted on various drafts of the guidance on social tariffs for community buildings in relation to SWD, under the terms of the Flood and Water Management Act and the final version issued during 2011 appeared to be satisfactory.

Succession and wills

As mentioned in in the Annual Reports for 2009 and 2010, CLAS made representations against the European Commission's proposal to change the law of succession to provide that the law of the state in which a testator died would apply to the whole of his or her estate – wherever situated – and that there would be provision for clawback of gifts given during the testator's lifetime in order to incorporate them into the testator's estate for distribution to the heirs.

The Ministry of Justice decided in principle that the United Kingdom would not opt in to any such proposal and in December 2009 the Government announced its decision that it would not, in formal legal terms, be participating in the European Commission's proposed Regulation. However, Ministry of Justice officials continued to participate in the negotiations in the Council Working Group on the basis that HM Government could seek to opt in to the adopted Regulation if the UK's concerns could be satisfactorily resolved; and we were told in August 2010 that that possibility was subject to the outcome of a further consultation exercise on the instrument as finally adopted by the Council.

In September 2011 the Ministry of Justice held a Forum for those who had responded to its previous consultation in order to report progress. Participants representing charities (including the Secretary of CLAS) reiterated that the introduction of clawback would be extremely damaging because it would utterly destabilise charitable donations: were it introduced, no-one would know definitively that any particular donation might not be clawed back on the death of the donor.

VAT on shared services

Article 132 (1) (f) of the Principal VAT Directive (Council Directive 2006/112/EC) is a mandatory cost-sharing exemption currently in force in a number of EU Member States. This mandatory exemption would remove the significant VAT barrier for UK charities (among which are Churches) which try to improve their efficiency and lower costs by sharing services. As things stand, charities that share services are liable to incur VAT on such cost-sharing activities, leaving them at a disadvantage compared with commercial and larger organisations that are able to vertically integrate such services.

The charity sector – CLAS included – has lobbied very hard on this, pointing out that the exemption is *mandatory* rather than a matter of individual governmental choice. In his Autumn Statement on 29 November the Chancellor of the Exchequer confirmed that legislation would be brought forward to comply with the Directive

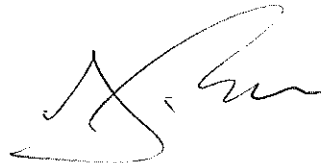
PUBLICATIONS

Eighteen Circulars were issued during 2011, giving information and advice on activities in which CLAS was involved and dealing with a wide range of issues. Individual items from circulars are posted on the members-only part of the website. In

addition, as a general service to interested enquirers, the following are posted on the publicly-accessible area of the website, some as a replacement for the short booklets that were previously published in hard copy by the Churches Main Committee and others produced and updated subsequently as the need for them has arisen.

- *Charity Commission visits: a report framework.*
- *Taxation of Ministers of religion: a rough guide.*
- *Fire Safety: a guide for churches (together with a standard appliance servicing and supply contract with Chubb Fire Limited).*
- *VAT Guide.*
- *The Churches and European Law.*
- *The Vetting and Barring Scheme.*
- *Employment of church workers.*

At the time of writing the Secretariat was preparing a comprehensive check-list for churches planning social events, covering such issues as insurance and health & safety.



Monsignor Nicholas Rotherham
Vice-Chairman



Frank Cranmer
Secretary

2012

Annex: Current membership of CLAS at 31 December 2011

Members

Archdiocese of Thyateira and Great Britain (Greek Orthodox Church)
Association of Grace Baptist Churches (SE)
Baptist Union of Great Britain
Baptist Union of Wales/Undeb Bedyddwyr Cymru
Church Communities UK
Church in Wales/yr Eglwys yng Nghymru
Church of England
Church of Ireland
Church of Scotland
Churches Together in Britain and Ireland
Churches Together in England
Congregational Federation
CYTŪN
Elim Foursquare Gospel Alliance
Evangelical Alliance
Evangelical Presbyterian Church of England and Wales
Free Church of Scotland
Free Churches Group
Independent Methodist Churches
Irish Council of Churches
Lutheran Council of Great Britain
Methodist Church
Moravian Church
Presbyterian Church in Ireland
Presbyterian Church of Wales/Eglwys Bresbyteraidd Cymru
Religious Society of Friends (Quakers)
Roman Catholic Church in England and Wales
Roman Catholic Church in Scotland
Salvation Army
Scottish Episcopal Church
Union of Welsh Independents/Undeb yr Annibynwyr Cymraeg
United Free Church of Scotland
United Reformed Church

Associate members

Association of English Cathedrals
Church of Christ, Scientist
Fellowship of Independent Evangelical Churches
General Assembly of Unitarian and Free Christian Churches
London City Mission
Mission to Seafarers
Seventh-Day Adventist Church
Stewardship (Stewardship Services (UKET) Limited, registered charity no. 234714)
United Synagogue

Professional members

Association of Church Accountants and Treasurers	Farrer & Co
Birketts LLP	Haysmacintyre
Biscoe Craig Hall	Sheen Stickland LLP
Dawsons LLP	Stone King Sewell LLP

Churches' Legislation Advisory Service (CLAS) (256303)


Receipts and Payments Account: Year to 31 December 2011

	2011	2010
	£	£
1. UNRESTRICTED FUND		
Income receipts		
Contributions for current year	72,500	73,450
Contributions for following year	3,340	550
Professional subscriptions	5,200	5,471
	<u>81,040</u>	<u>79,471</u>
Other receipts		
Interest	-	20
Total receipts	<u>81,040</u>	<u>79,491</u>
Direct expenditure		
CLC fees	68,936	65,313
Publications	114	285
Printing & stationery	166	214
Postage	32	35
Internet costs	102	-
Web site design	2,938	
Meetings	1,903	1,241
Insurance	216	214
Sponsorship of LMSC	1,200	1,200
Travel	171	88
Accountancy fees	150	176
Independent examination	330	639
The Heritage Alliance	50	
Total payments	<u>76,308</u>	<u>69,405</u>
Net receipts/ (payments)	<u>4,732</u>	<u>10,086</u>
Settlement of amount due to Church of England at 31.12.09	-	(14,537)
Cash and bank balances at 31 December 2010	10,417	14,868
Cash and bank balances at 31 December 2011	<u>£ 15,149</u>	<u>£ 10,417</u>

Churches' Legislation Advisory Service (CLAS) (256303)

Statement of assets and liabilities: 31 December 2011

	31.12.11	31.12.10
	Unrestricted	Unrestricted
	Fund	Fund
	£	£
Monetary assets		
Bank & cash balances		
Account at HSBC	15,149	10,417
Receivables		
Prepaid CLC fees	5,745	5,625
	<hr/>	<hr/>
	20,894	16,042
	<hr/>	<hr/>
Liabilities and accrued charges		
CLC expenses	437	3,151
Following year's contributions received in advance	3,340	550
Other creditors and accrued expenses	1,416	1,635
	<hr/>	<hr/>
	5,193	5,336
	<hr/>	<hr/>
Net monetary assets	<hr/>	<hr/>
	£ 15,701	£ 10,706
	<hr/> <hr/>	<hr/> <hr/>



Mgr Nicholas Rothon

Vice-chair
For and on behalf of the trustees

1 March 2012

Independent Examiner's Report to the Trustees of the Churches' Legislation Advisory Service (CLAS) (256303)

I report on the accounts of Churches' Legislation Advisory Service (CLAS) (256303), for the year ended 31 December 2011 which are set out on pages 1 to 2.

Respective duties of the trustees and examiner

As the charity's trustees you are responsible for the preparation of the accounts; you consider that the audit requirement of section 43(2) of the Charities Act 1993 (the Act) does not apply. It is my responsibility to state, on the basis of procedures specified in the General Directions given by the Charity Commissioners under section 43 (7)(b) of the Act, whether particular matters have come to my attention.

Basis of independent examiner's report

My examination was carried out in accordance with the General Directions given by the Charity Commissioners. An examination includes a review of the accounting records kept by you and a comparison of the accounts presented with those records. It also includes consideration of any unusual items or disclosures in the accounts, and seeking explanations from you concerning any such matters. The procedures undertaken do not provide all the evidence that would be required in an audit, and consequently I do not express an audit opinion on the view given by the accounts.

Independent examiner's statement

In connection with my examination, no matter has come to my attention:

- (1) which gives me reasonable cause to believe that in any material respect the requirements
 - to keep accounting records in accordance with section 41 of the Act; and
 - to prepare accounts which accord with the accounting records and to comply with the accounting requirements of the Act.have not been met; or
- (2) to which, in my opinion, attention should be drawn in order to enable a proper understanding of the accounts to be reached.

Anthony Alford.

Anthony Alford
Chartered Accountant
Shepherd's Crook, Netherbury, Dorset DT6 5LY
3rd March 2012