THE CHURCH OF ENGLAND

How are you going to manage the new activities after the building work is finished? If your project is big, you might have to set up a separate company.

We can help you understand your options and choose the structure that gives you the right level of control.

Download the toolkit

Communion Architects

Option 1: registered charity

Charities have four different legal structures.

If your charity makes over £5,000, you have to register **with the Charity Commission. You also need to send them an annual report and your accounts, and let them know if the management of your organisation changes.**

Get help choosing the right structure for you and write your governing document

Charitable incorporated organisation

A CIO is a corporate body.

This means that an authorised member can sign documents on behalf of the group. And the group, as a whole, is responsible for honouring a contract or agreement.

A CIO reports to the Charity Commission. There is no minimum income requirement to register.

You can choose to elect people to your management committee, or to appoint them without having elections.

A company limited by guarantee

A company limited by guarantee is a corporate body.

This means that an authorised member can sign documents on behalf of the group. And the group, as a whole, is responsible for honouring a contract or agreement.

Members guarantee to pay an agreed amount if the company closes down and needs to pay off its debts. The guarantee can be as low as £1.

It's a company as well as a charity. So first, you have to register with the Companies House **and then the** Charity Commission**.**

You need to send your accounts and annual reports to both the Companies House and the Charity Commission.

An unincorporated association

An unincorporated association is not a corporate body.

This means that each person on the management committee is legally responsible for honouring a contract or agreement.

It's the least demanding option; in your governing document you will write:

- **Your group's purpose**
- **Its name**
- **Its objectives**
- **The way members elect the management committee**
- **And the number of votes needed to pass a resolution**

This structure might be good for short-term projects. But think carefully about the risks, especially if your group plans to manage large amounts of money.

A trust

A trust is not a corporate body.

This means that each person on the management committee is legally responsible for honouring a contract or agreement.

It's used to distribute large amounts of money.

It's not the best way for a community group to provide a service in a church building.

Find out more about trusts

> **“Get legal and financial advice to ensure you fully understand the different options. […] If you get this wrong, it can cause pain and expense in the long run.”**
>
> *Crossing the Threshold*

Option 2: social enterprise

A social enterprise **is a business with social objectives where profits are put back into the company or the community.**

There are four types of social enterprises.

They are not charitable organisations, so some funders will not give them grants. But the government does offer tax relief to companies who invest in them.

You need to be confident that you can raise enough money before committing to this kind of structure.

Find out more about social enterprises

Community interest companies

A community interest company exists to benefit the community rather than private shareholders.

You will have to sign a legal promise that the company’s assets will only be used for social good.

Set up a social enterprise

Co-operative societies

A co-operative is a not-for-profit organisation that is owned and run by a group of people who share the profits.

It’s a democratic business where one member gets one vote.

Learn more about co-operative societies

Community benefits societies

Community benefit societies are incorporated industrial and provident societies.

They do business for the benefit of the community. And the profits are returned to the community.

Community shares

A community share **scheme gives people the chance to invest in their own community and take ownership of a project.**

Communities invest in themselves.

What if my project is small?

If your project is small, then maybe the Parochial Church Council can run it.

You might want to set up a sub-committee of the PCC to manage the new activities into the future. Include people from the church and the community.

Lay down some ground rules:

- **What are the levels of authority?**
- **Who is responsible for what?**
- **What is the role of the sub-committee?**
- **Can they take decisions? Or just make recommendations?**

Write your terms of reference document. It should explain the roles and responsibilities of the PCC and the sub-committee, and how the relationship between them works.

Find out more about getting a project group together

Remember:

A PCC is a corporate body.

This means that an authorised member can sign documents on behalf of the group. And the group, as a whole, is responsible for honouring a contract or agreement.

Sharing the church building with the new company

If you decide to create a company to run the new activities inside the church, then you need to think about how you will share the space between you.

Whichever option you choose, write the agreement down.

Memorandum of understanding

A memorandum of understanding is a written agreement between two groups explaining how they will work together on a project.

Think about:

- **What do you expect from each other?**
- **What does each group gain?**
- **Which responsibilities for the building is the PCC giving to the group?**
- **How you are going to share the building?**
- **And what happens when there is a church service, festival, funeral, wedding, etc.?**

Contact your diocese for legal advice

Lease

The PCC can lease a part of the building to the new group.

The group takes on specific responsibilities for that area of the building and the activities they do in it. But the PCC keeps overall responsibility for the church. The licence reserves rights for church activities, including services.

This is a good option if you want the church building to become a more-or-less full-time community centre or if part of the building is going to be used for a specific purpose.

But before you write up a contact, get sound legal advice from your diocese. **Remember, you can't change a lease easily.**

And don't be afraid to talk about money. This arrangement has to be good for the both of you; so be sensible.

Closing part of the church

Part of the church is closed for public worship **and the Diocesan Board of Finance leases it to the new charity.**

The closed part of the building loses ecclesiastical exemption, and both the PCC and the charity share responsibility for the building's maintenance.

Contact your diocese for legal advice

Important things to remember

All churches are charities

Charity law and Church of England rules require a group using a space in a church to pay commercial rates unless its objectives are similar to those of the PCC.

Make sure your mission action plan and the goals the PCC wrote down at the beginning of the project show this. Or else you might have to charge more for your space than an organisation can afford.

You need a faculty to share your space

You can get a faculty to lease part of your church building as long as the building continues to be used mainly for worship.

You should contact your diocese for legal advice first.

Be clear about how much control you want to keep over your building

What priority should church activities have over others?

What type of secular uses do you want to allow?

Do you want a say if someone proposes to make more changes to the building?

Listed churches can reclaim VAT

If your church is listed, you can reclaim the cost of VAT through the Listed Places of Worship grant scheme.

Only the PCC can make this application. You save 20% off the cost of building works and professional fees.

Churches don’t pay business rates

Business rates are taxes which are charged on most non-domestic properties.

Unlike churches, registered charities only benefit from an 80% reduction and have to apply for the other 20%.

Businesses do have to pay business rates.

Contact your diocese to find out if your new activities amount to “trading” and what that might mean for your church. And contact your insurance company too.

Case studies

- Case study: St John Fernham (445.28 KB)
- Case study: St John Stadhampton (603.29 KB)
- Case study: St James & Emmanuel Didsbury (191.95 KB)
- Case study: St Germans Priory (240.75 KB)
- Case study: All Saints Northampton (281.38 KB)

Next steps

To make your vision become a reality you need to start thinking about:

- Understanding your church and your needs
- Talking to your DAC about permissions
- Developing your project ideas a little more
- The long-term future of your project's activities
- Making sure you keep people informed

Want more help?

Set up a community-owned shop in your area

Select the right legal structure for your rural business

Get expert support during your project

Get started, get organised, achieve your goals, and become resilient

Also of interest

Find partners and support

models

Strategic plans for church buildings

Integrate church buildings with mission and ministry planning

Source URL: *https://www.churchofengland.org/resources/churchcare/making-changes-your-building-and-churchyard/organise-yourselves*