This paper provides an overview of the Charities Bill introduced to the Assembly on 2 July 2012. The primary purpose of the Bill is to amend the ‘public benefit’ provision set out in section 3 of the Charities Act (Northern Ireland) 2008. This paper briefly explores the ‘public benefit’ test issue and the rationale behind the amendment. The paper also outlines key developments in charity law in Northern Ireland and examines the remit and activities of the Charity Commission for Northern Ireland.
Key Points

- In June 2010, Senior Counsel acting for the Charity Commission for Northern Ireland identified a technical difficulty with the ‘public benefit’ test provision of the Charities Act (Northern Ireland) 2008. The difficulty arose out of the inclusion in section 3 of the 2008 Act, of a hybrid of unrelated provisions on the “public benefit test” from both the Charities Act 2006 (which applied in England and Wales) and the Scottish Charities and Trustee Investment (Scotland) Act 2005.

- The primary purpose of the Charities Bill, as introduced to the Assembly on 2 July 2012, is to amend the ‘public benefit’ provision set out in section 3 of the Charities Act (Northern Ireland) 2008. This is deemed necessary in order to provide clarity on the requirements to be met in determining whether an institution is, or is not, a charity within the meaning of that Act. It is believed that if the amendment is not passed by the Assembly, the Charity Commission for Northern Ireland (CCNI) will be unable to commence the formal registration process for charities as set out in the 2008 Act.

- It was originally intended that the registration of charities would begin at the end of June 2010 but legal uncertainties around the “public benefit” test delayed this process. If the Charities Bill, and thus the amendment, is passed by the Assembly and receives Royal Assent, it is anticipated that the Charity Commission for Northern Ireland could conduct its public benefit test guidance consultation in Spring 2013, with charities registered on a phased basis from late 2013.

- Despite the fact that the Charity Commission for Northern Ireland has been unable to fulfill its obligation under the 2008 Act in relation to the registration of charities due to the legal technicalities, it has however been engaged in a range of other duties and activities. As an interim measure the Commission has established a “deemed list of charities” (i.e. organisations that have registered with Her Majesty’s Revenue and Customs for charitable purposes) and the powers of the Commission (including the power of investigation) are exercisable in relation to these organisations.

- Some of the other activities the Commission has been engaged in include, the development of an online system in preparation for the register of charities going live; investigation of charities in response to concerns raised by the public and by government departments and other agencies; the organisation of information events and engagement with charity sector and other stakeholders; engagement with charity regulatory bodies in other jurisdictions; and the drafting and publication of guidance and advice for the charity sector.
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1 Introduction

The primary purpose of the Charities Bill, as introduced to the Assembly on 2 July 2012, is to amend the ‘public benefit’ provision set out in section 3 of the Charities Act (Northern Ireland) Act 2008. The Bill’s Explanatory and Financial Memorandum states that this is deemed necessary in order to provide clarity on the requirement to be met in determining whether an institution is, or is not, a charity within the meaning of that Act.

In answer to an Assembly Question tabled in October 2011, the Minister for Social Development outlined the context of the ‘public benefit’ issue and the rationale for the amendment,

In June 2010, Senior Counsel acting for the Charity Commission for Northern Ireland identified a technical difficulty with the “public benefit” test provision of the Charities Act (NI) 2008. In short, this arises out of the inclusion in Section 3 of the 2008 Act of a combination of unrelated provisions on the “public benefit test” from both the Charities Act 2006 (which applies in England and Wales) and the Scottish Charities and Trustee Investment (Scotland) Act 2005. No resolution was reached during the previous mandate and I am now considering afresh the options available to resolve this legal issue. I have received advice from the Attorney General and officials from my Department briefed the Social Development Committee on 20 October. I have also written to the Treasury Minister with responsibility for charity tax matters to establish if changes to the public benefit provisions will have any implications for HM Revenue and Customs. Once a response is received, I will make a decision and bring forward a Charities Amendment Bill to the Executive for consideration.”

The Minister for Social Development considered a number of options for amending section 3 of the 2008 Act, the preferred option is contained with the Charities Bill. If the amendment relating to the ‘public benefit’ provision is not passed by the Assembly, the Charity Commission for Northern Ireland (CCNI) is reported to be unable to commence the formal registration process for charities in Northern Ireland as set out under the Charities Act (Northern Ireland) 2008. It was originally intended that charity registration would begin at the end of June 2010 but legal uncertainties around the ‘public benefit’ provisions delayed this process.

2 Background

The Reform of Charity Law in Northern Ireland

In March 2004, the Department for Social Development established an Advisory Panel to review the existing system of charity legislation and administration in Northern Ireland and to make recommendations for the future regulation of charities here. This

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1 Assembly Question for Oral Answer, AQQ 751/11-15 (tabled 27/10/11).
review coincided with similar reviews which led to the modernisation of charity law in England and Wales, Scotland and the Republic of Ireland.

The Advisory Panel recommended that a system similar to that proposed for England and Wales should be adopted for Northern Ireland but with three significant differences, i.e.:

- The introduction of a rigorous public benefit test to determine whether technically a charitable purpose actually produces a benefit to the public.
- All charities operating in Northern Ireland should be registered with no exemptions of certain types of charity.
- The application of different financial thresholds in terms of the accounting procedures and audit requirements placed on charities operating in Northern Ireland.

The outcome of the review was the Charities Act (Northern Ireland) 2008, which represented the most significant overhaul of charity law in Northern Ireland for over 40 years. The Department for Social Development felt that the modernisation of charity law in Northern Ireland was necessary given that charities were becoming increasingly involved in the delivery of public services and because a significant proportion of charitable work was supported by public donations.

The overall aim of the legislative changes was to:

“...provide a structure and process through which charities can demonstrate their contribution to society, the public can be assured regarding how charities are spending donations and government can assist in the better governance of the charity sector.”

The Charities Act (Northern Ireland) 2008

The Charities Act (Northern Ireland) 2008 received Royal Assent on 9 September 2008. In summary, the Act made provisions for:

- The establishment of the Charity Commission for Northern Ireland (CCNI) and the Charity Tribunal for Northern Ireland;
- A definition of “charity” and “charitable purpose”;
- The creation of a register for charities;
- The establishment of a new form of charitable legal body (i.e. a charitable incorporated organisation); and provisions to
- Deal with the regulation of charities, their assets and public charitable collections.

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What are Charities?

The definition of “charity” and “charitable purpose” are set out in sections 1 and 2 of the 2008 Act. Put simply, a charity is an institution which is established for charitable purposes. A “charitable purpose” is one which is for the “public benefit” and the 2008 Act identifies 12 types of activities that are considered to be charitable purposes, i.e. 4.

- The prevention or relief of poverty.
- The advancement of education.
- The advancement of religion.
- The advancement of health or the saving of lives.
- The advancement of citizenship or community development.
- The advancement of the arts, culture, heritage or science.
- The advancement of amateur sport.
- The advancement of human rights, conflict resolution or reconciliation or the promotion of religious or racial harmony or equality and diversity.
- The advancement of environmental protection or improvement.
- The relief of those in need by reason of youth, age, ill-health, disability, financial hardship or other disadvantage.
- The advancement of animal welfare.
- Any other purposes recognised under existing charity law or section 1 of the Recreational Charities Act (NI) 1958.

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4 See Charity Commission website - www.charitycommissionni.org.uk/About_us/Contacting_us/FAQs.aspx
The Remit and Activities of the Charity Commission for Northern Ireland (CCNI)

The Charity Commission for Northern Ireland was established in March 2009. It is a non-departmental public body and the independent regulator for charities in Northern Ireland. CCNI is governed by a Board consisting of the Chief Charity Commissioner, a Deputy Chief Charity Commissioner and up to five Charity Commissioners (one of which is legally qualified). The Board has responsibility for overall strategic direction of CCNI. The Senior Management Team of CCNI is led by a Chief Executive and is responsible for the day-to-day operational activities of the Commission and implements the programmes and policies arising from the Board’s decisions.

The Commission has six mission objectives, i.e.

- **Public Confidence**: to increase public trust and confidence in charities.
- **Public Benefit**: to promote awareness and understanding of the operation of the public benefit requirement.
- **Compliance**: to promote compliance by charity trustees with their legal obligations in exercising control and management of the administration of their charities.
- **Charitable Resources**: to promote the effective use of charitable resources.
- **Accountability**: to enhance the accountability of charities to donors, beneficiaries and the public.
- **Delivery**: to manage the CCNI as an effective and efficient non-departmental public body.

The Commission’s values are – independent, accountable, proportionate, fair, transparent and consistent.

One of the main elements of the Commission’s remit is to establish and manage a register of charities. The 2008 Act requires all organisations in Northern Ireland that operate for a charitable purpose to apply for registration with the Commission. The Act does not provide for any exemptions from the requirement to register. It was originally intended that the registration process would begin at the end of June 2010. However, the register of charities has not yet been established due to legal issues around the definition of ‘public benefit’. It is this issue which has primarily the rationale behind the Charities Bill 2012. The public benefit issue is explored further in another section of this paper.

Despite the fact that the Commission has been unable to fulfil its obligation under the 2008 Act in relation to the registration of charities due to the legal technicalities, it has, however been engaged a wide range of other duties and activities. Even though the formal registration process for charities cannot yet begin, as an **interim measure** the Commission has established a “**deemed list**” of charities. The Commission deems

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5 CCNI website - [www.charitycommissionni.org.uk/About_us/About_the_Commission/board_members_directors.aspx#CCNISeniorManagement](http://www.charitycommissionni.org.uk/About_us/About_the_Commission/board_members_directors.aspx#CCNISeniorManagement)
charities to be organisations that have registered with Her Majesty’s Revenue and Customs (HMRC) for charitable purposes and the powers of the Commission apply to these organisations. A publicly accessible list of these organisations is available from the Commission’s website. There is currently around 6,700 organisations on the deemed list. However, many charities do not apply for charitable tax exemption and therefore this is not a complete picture of the charitable landscape in Northern Ireland. The Commission estimates that there is between 7,000-10,000 charities in Northern Ireland.

Some of the other activities the Commission is engaged include:

- **Preparation for the register of charities** – the development of an online system of charity registration is reported to be at an advanced stage and has been subject to testing. The Commission believes that the system is fit for purpose and responsive to the needs of users. The Commission has enlisted 20 local charities to ‘test drive’ the new system before the registration process commences.

- **Powers of Investigation**: In February 2011, the Commission gained its powers to investigate charities in Northern Ireland. In January 2012, the Commission had received its 100th concern about a charity (concerns can be raised e.g. by members of the public, government departments and other agencies etc.). This led to the publication of the Commission’s report “100 lessons learned” which explores the Commission’s regulatory activities and approaches to investigations. Many of the concerns expressed related to issues around poor governance, poor financial control, the lack of transparency and the damage caused by disputes within organisations. The report was intended to highlight commons problems which lead to complaints against charities and offers advice on how to get the basics right. Between April 2011 and April 2012, the Commission had received 106 concerns about charities.

- **Events and Engagement** – engagement with key stakeholders including charitable trustees, general public, media, politicians etc. ‘Meet the Commissioners’ sessions which are intended to offer dialogue between the Commission and local organisations.

- **Memoranda of Understanding** - on a more formal basis, the Commission has entered into a number of Memoranda of Understanding with statutory agencies including the PSNI, HMRC the Independent Safeguarding Authority (ISA) and Trading Standards.

- **Engagement with other Commissioning Bodies** – the Commission also engages with charity regulators in other jurisdictions in order to develop skills and knowledge in charity regulation and the sharing of best practice.

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Drafting and publishing guidance: the Commission has issued a range of guidance and resources for charities in matters such as registering a new charity; charity governance; campaigning and political activities; clothing collections etc. The Commission is obliged, under 4 of the 2008 Act, to issue guidance with regard to the public benefit requirement and to carry out (where it feels appropriate) public or other consultation before issuing or revising this guidance. It was during the course of the draft consultation stage of the public benefit requirement that the legal uncertainties around the public benefit requirement were brought to the attention of the Commission who then referred the matter back to the Department for Social Development (in June 2010).

Further information on the work of the Charity Commission for Northern Ireland is available on the Commission’s website - www.charitycommissionni.org.uk/

In Summary – Timeline of Some Key Developments

For ease of reference the table below provides chronology of some of the main events in relation to charity regulation in Northern Ireland.

Some Key Developments in Charity Regulation in Northern Ireland

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<th>Date</th>
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| 10 December 2007  | The Charities Bill for Northern Ireland is introduced to the Assembly. The objective of the Bill is to:  
|                    | - Provide a definition of “charity” and “charitable purpose”.  
|                    | - Establish the Charity Commission for Northern Ireland (CCNI) and the Charity Tribunal for Northern Ireland.  
|                    | - Create a register for charities.  
|                    | - Provide for a new form of charitable body – a charitable incorporated organisation.  
|                    | - To set out in legislation mechanisms for the regulation of charities, their assets and public charitable collections.  |
| 1 May 2008         | The Charities Bill was referred to the Committee for Social Development on completion of the Second Stage of the Bill on 15 January 2008. The Committee for Social Development publishes its report on the Charities Bill on 1 May 2008. 53 organisations responded to the Committee’s call for written evidence. The report highlighted the perceived misunderstanding around the designation of religious charities and welcomed the introduction of “designated religious charities” as it was believed that such charities would already have sufficient internal governance structures in place to deal with investigations, maladministration and misconduct. The Committee expressed sympathy with those bodies that felt that the advancement of religion should be presumed to be of public benefit but agreed that there should be no exemptions.  |
| 9 September 2008   | The Charities Bill receives Royal Assent and becomes the Charities Act (Northern Ireland) 2008.  |
| 27 March 2009      | The Charity Commission for Northern Ireland (CCNI), an Non-Departmental Public Body, becomes operational. CCNI held its first Board meeting on 15 June 2009 in which it set out its programme of work.  |
| 3 September 2009   | The Charity Commission for Northern Ireland launches its public benefit test guidance for consultation. Due to the technical issue arising out of section 3 of the 2008 Act, it is anticipated that CCNI will conduct a new public consultation on the Public Benefit Guidance in the spring of 2013.  |
The Minister for Social Development announces the appointment of a ‘legally qualified’ Charity Commissioner as set out in legislation. The Board of the Charity Commission is consists of a Chief Charity Commissioner, Deputy Chief Charity Commissioner and up to five Charity Commissioners (including the Legally Qualified Commissioner).

The Charity Tribunal is established to hear appeals from decisions made by the Charity Commission for Northern Ireland. The types of decisions that can be appealed and who may bring an appeal to the tribunal are set out in Schedule 3 of the Charities Act NI 2008.

The new Chief Executive of the Charity Commission for Northern Ireland, Frances McCandless, takes up her post.

Following legal advice in relation to its Draft Public Benefit Guidance, CCNI refer a technical problem with the wording of section 3 of the Charities Act (NI) 2008 (i.e. the public benefit test) back to the Department for consideration. This meant that the registration process for charities would not commence at the end of June 2010 as was originally planned. In the interim period before registration can begin, CCNI have compiled a publicly accessible “deemed list”, i.e. a list of bodies registered with HMRC for charitable tax purposes.

Department for Social Development confirms its intention to amend the Charities Act (NI) 2008 in order to clarify the law on the public benefit test.

In February 2011, CCNI gains its powers under the 2008 Act to investigate organisations registered as charities with HMRC. This measure allows CCNI to begin its investigatory, compliance, enforcement and regulatory scrutiny of all charities currently registered with HM Revenue & Customs (HMRC) for tax purposes (more than 6,000 organisations).

 Officials from the Department for Social Development brief the Committee for Social Development highlighting that no agreed resolution to the public benefit test had been reached and that the Minister for Social Development was considering three options for resolution of the public benefit issue.

Concerns submitted to the Charity Commission regarding charities in Northern Ireland hits the 100 mark. CCNI subsequently publish a report on its investigations which also provides advice to charities to enable them to effectively address some of the most common complaints made against charities.

The Charities Bill 2012 is introduced to the Northern Ireland Assembly, the Bill will amongst other provisions, amend section 3 of the 2008 Act (i.e. the public benefit test). The Committee for Social Development has begun its call for evidence, the closing date for submissions is the 28 September 2012.

Once the legislative amendment contained within the Charities Bill 2012 is passed by the Assembly and receives Royal Assent, CCNI hopes to consult on public benefit guidance in Spring 2013, with registration of the first 20 test charities likely to begin in late 2013 with the main registration likely to open shortly after this.

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10 [www.charitycommissionni.org.uk/About_us/Contacting_us/mediaenquiries.aspx](http://www.charitycommissionni.org.uk/About_us/Contacting_us/mediaenquiries.aspx)
3 The Charities Bill and the ‘Public Benefit’ Requirement

The need for clarity on the public benefit provision was identified by the Charity Commission (on advice from Senior Counsel) when it sought legal opinion on its draft public benefit guidance. The Commission referred the issue to the Department for Social Development in June 2010. Opinion was that the provision in section 3 of the 2008 Act (i.e. the ‘public benefit’ test) created legal uncertainty arising from the inclusion of an element of the public benefit provision contained within the Scottish Charities and Trustees Investment (Scotland) Act 2005. As a result of this legal uncertainty it was reported that the Commission could not make determinations as to whether an institution was, or was not, a charity within the meaning of the 2008 Act, and as a consequence the registration of charities could not commence.

The matter of the legal difficulty around the public benefit test was said to have been brought the Executive for consideration on three occasions in the last mandate but no agreed resolution was found prior to dissolution.

Amendment Options

The Minister for Social Development, Nelson McCausland, considered three options to address the public benefit test issue:

Option 1: All charities in Northern Ireland would be required to demonstrate how they benefit the public, as provided for in the 2008 Act, however, it would be left for the Charity Commission for Northern Ireland to determine whether or not a charity is set up for the benefit of the public (as is the case in for the Charity Commission for England and Wales) rather than having a prescribed test enshrined in legislation.

Option 2: Amend as per Option 1, however, but “presume” certain groups of charities to be for the public benefit i.e. charities working for the relief of poverty, the advancement of education and the advancement of religion.

Option 3: A variation on Option 2, but “presume” that only charities engaged in the advancement of religion are of public benefit.

Clause 1 of the Charities Bill reflects Option 1 and substitutes a new public benefit provision for that in section 3 of the 2008 Act. The tables below outline the difference between section 3 of the 2008 Act and the proposed amendments in the Charities Bill.

11 Charities Bill Explanatory and Financial Memorandum, p1.
13 NICVA News Release. “Charities (Amendment) Bill – no progress expected until next year”.

Northern Ireland Assembly, Research and Information Service 12
The approach taken in to the public benefit requirement as set out in the Charities Bill was the preferred solution of the Charity Commission for Northern Ireland\textsuperscript{14}. The Northern Ireland Council for Voluntary Action (NICVA) expressed its concern regarding options 2 and 3 and stated that:

"a 19\textsuperscript{th} century presumption that certain types of charity are established for the benefit of the public is not a prudent strategy for the 21\textsuperscript{st} century and NICVA believes that all charities should be required to demonstrate how they benefit the public.

The third option, to reintroduce the presumption of public benefit for religious charities only, could serve to create an unequal and unfair charity sector in which these types of charities would be treated more favourably than others.\textsuperscript{15}

\textbf{The Committee for Social Development considered the public benefit test issue and the three options at its meeting of the 20 October 2011\textsuperscript{16}. Members expressed particular\textsuperscript{17}}
concern around how the test related to faith-based charities and also raised concerns about the potential demands on small religious groups in respect of the accounting and reporting requirements. In response to the concerns of religious organisations and the ability to meet the public benefit test, an official from the Department for Social Development indicated to the Committee that holding an act of worship once per week, for example, would be sufficient to satisfy the public benefit test. The Department also highlighted that the ability of religious organisations to meet the public benefit test had not arisen as a difficulty in other jurisdictions.\(^{17}\)

The Chief Charity Commission, Tom McGrath, has welcomed the introduction of the Charities Bill to the Assembly stating,

*I am pleased that the Charity Commission can now get on with the registration of Northern Ireland charities. This process will not happen overnight, but after almost two years of enforced delay, the Commission can finally get the registration ball rolling.

I can say with great certainty that the Commissioners are looking forward to this new phase of our work. All of our other work has been made much more complex by the absence of registration.

The Commission has always had a steady workload despite the registration complexities…. On the registration front, however, we are satisfied that a decision on the amendment has finally been made, and is in keeping with our preferred solution since we referred the problem with the legislation back to DSD in June 2010\(^{18}\)*

If the agreed amendment is passed by the Assembly, the Commission can publish its Public Benefit Guidance and registration can begin. The Commission anticipates that this consultation could take place in Spring 2013, with charities registered on a phased basis from late 2013\(^{19}\).

**Other provisions in the Charities Bill**

Although the primary purpose of the Charities Bill is to amend the public benefit requirement in the 2008 Act, the Department are utilising the Bill as a vehicle for the introduction of a number of other outstanding amendments to the 2008 Act. These provisions are as follows:

- **Gifts for mixed purposes**: re-enactment of section 24 of the Charities Act (Northern Ireland) 1964 (i.e. gifts for mixed purposes) in order to restore the


\(^{18}\) Charity Commission for Northern Ireland. New Release. “Charity registration decision welcomed”.

\(^{19}\) Information extracted from the Charity Commission website - www.charitycommissionni.org.uk/About_us/Contacting_us/FAQs.aspx
mechanism through which a gift which is for both charitable and other purposes may be regarded as exclusively charitable.

- **Persons disqualified from being trustees of a charity**: to extend the list of persons disqualified from being trustees of a charity to include persons who are subject to a bankruptcy restrictions order or an interim order. This amendment is consequential to corresponding provision made by the Enterprise Act 2002 (Disqualification from Office: General) 2006.

- **Educational Endowments**: transfer of the Department for Social Development’s functions under the Educational Endowments (Ireland) Act 1885, and other related Acts, to the Charity Commission for Northern Ireland. These functions now fall within the Commission’s statutory role as the regulator for charities. The Charities Bill also involves the transfer of other functions from the Department to the Commission i.e. functions under the Education and Libraries (NI) Order 1986 and the Companies Act 2006.