

Leaflet F09: Fellowship Funds

This leaflet looks at some of the issues churches need to consider when administering funds to help people in need. These funds are often called the 'fellowship fund', the 'communion fund' or 'benevolent fund'.

F09: Fellowship Funds

The early Baptists were often quite poor, not least because it was not socially acceptable to be a dissenter and a member of an independent church. As they were not members of the Church of England they could not benefit from the Benevolent Funds set aside for distribution by the local clergy who had access to charities that had been created to provide, for example 'bread for the poor of the parish'.

Each Baptist church was autonomous but the small fellowships survived and grew because of the close fellowship between the members, including offering each other practical support. As links developed between churches and Associations some Baptist charity funds were created, but generally it was the local church that cared for its own members.

Obviously, this kind of provision has to some extent been superseded by the benefits system and the NHS. Nevertheless, there has been a continuing pattern within Baptist churches of members helping each other and those in need in their community.

Raising Fellowship Funds

In some Baptist churches a collection is taken at the communion service to help those in particular need. The funds are often called the 'fellowship fund', the 'communion fund' or 'benevolent fund'. Other churches do not have a separate collection but set aside money in their budget for this purpose.

If a separate collection is taken specifically for the purpose of creating or supplementing a fellowship fund this must be kept separate as a restricted fund in the main church accounts (see leaflets [F02](#) and [F03](#) for details of accounting for restricted funds).

Making grants from Fellowship Funds

Trustees should put in place appropriate processes and governance around grants from fellowship funds with suitable forms of accountability to ensure funds are spent appropriately. It is good practice for the Trustees (in consultation with the church meeting) to set a framework for the application of fellowship funds, including how they are approved and any constraints on the amounts involved. If funds are set aside in the church budget, the church meeting would approve the amount as part of the budget, although the Trustees will usually have a degree of discretion to vary this depending upon demands seen during the year.

Usually, the control of the fellowship fund is delegated to the minister and treasurer, and possibly one or two other Trustees, within bounds set by the full Trustee body, such as a maximum single grant and an overall budget for the year. Often the circumstances necessitating grants from a fellowship fund are sensitive and/or confidential so it would not generally be appropriate to have a wide group involved in the process, and rapid decision making is sometimes needed which is easier with a smaller group. However, it is also not good practice to have a situation where one person can unilaterally decide upon a grant, other than for small amounts.

One issue can be how a church can respond rapidly to immediate needs when their policy may be that all payments need dual approval. Some churches may consider it appropriate in their circumstances to have a modest amount of petty cash in the church office, or purchase food vouchers from their fellowship fund. These can allow a rapid response, albeit to a limited value (we recommend no more than a few tens of pounds at a time).

Record Keeping and Accountability

In terms of record keeping, it is good practice to have a written form on which the proposed grant can be documented, to include the name of the recipient, the purpose of the grant, the amount of the grant and those approving it. A simple tally of any cash or food vouchers handed out should also be kept. This means evidence can be provided to an auditor or independent examiner (or the Charity Commission and HMRC if needed) to support the grant. The group charged with managing the fellowship fund should report regularly to the Trustees giving some information on funds expended and the purpose of grants, usually without naming recipients.

From time to time when the accounts are presented to the Church Members' Meeting, it may be appropriate to explain how the fund is used in more detail and the kinds of gifts that have been offered. This is about openness and transparency in the use of funds, rather than a reason to discuss people's personal needs.

Grants to Trustees and Ministers

Special care is needed when making grants to a minister or other Trustees. The Trustees are seen in law as the guardians of the charity's assets and are generally not expected to personally benefit directly from those assets (other than reimbursement of expenses related to their work as trustees). The payment of ministers is a noted exception to this. Small gifts might be considered acceptable, but any grant to a Trustee will need to be disclosed in the annual accounts. Any gift above £50 in value to a minister from the church as their employer is liable to be considered a form of remuneration and therefore a taxable benefit subject to income tax and national insurance.

Where the total of all grants to Trustees exceed £1,000 in any financial year, the explicit consent of the Charity Commission must be sought either in writing or via their website (which can take some time to come through) prior to making the grant.

Larger Grants and Regular Support

Most grants to individuals from fellowship funds will be relatively modest in size (certainly under £1,000) and one-off in nature. Where a need is identified that would require a large grant or regular support, considerable wisdom is needed.

The Trustees of a church, as a charity¹, must ensure that expenditure is in line with its purpose or charitable objects, which describe what a charity is for. Most Baptist Churches will have in their constitution (sometimes referred to as the rules or governing document) a primary purpose of "the advancement of the Christian faith according to the principles of the Baptist denomination." If the fellowship fund were to become a substantial part of the church's expenditure (say >10%), some question could arise as to whether that fitted with the purpose of the charity, which could lead to the Charity Commission raising concerns and HMRC reviewing the church's charitable status for Gift Aid. In the most extreme cases Trustees could be required to reimburse the charity for expenditure they authorised that did not fit with the charitable objects. This is unlikely to arise if Trustees follow good practice, but Trustees need to act in line with their duty to ensure charity assets are applied in line with the purposes of the charity.

When considering larger grants or regular support, it is likely that the full trustee group will need to be involved. Topics to consider include

- Is the church the most appropriate body to provide support? Often there will be other charities in a locality specifically set up to relieve poverty who will also be better able to provide non-financial support to accompany any funds. Could the church's funds be channelled via such a charity?
- How will the trustees ensure that that grant is spent in a way they are happy with?
- Is a financial grant the most appropriate form of support, or could support be provided in another way (e.g. directly settling an item of expenditure)?
- For regular support, how will the Trustees monitor the situation going forward to ensure it is still needed and being used appropriately?

On some occasions, the appropriate response to a more significant need might be a loan from church funds. For example, a church member might need to raise funds rapidly for an air fare due to the death of a close relative abroad if they do not have the funds available immediately, but they can repay over time. Loans should only be used where there is a reasonable expectation of repayment and it is important that the recipient is clear on this expectation. To avoid coming under the regulatory regime relating to consumer credit, such loans would need to be interest free and represent a minor proportion of the church's activities to demonstrate that the church is not carrying out a lending business.

¹ A church is considered to be a charity under the law, irrespective of whether it is a registered charity.

This is one of a series of Guidelines that are offered as a resource for Baptist ministers and churches. They have been prepared by the Baptist Union of Great Britain and are, of necessity, intended only to give very general advice in relation to the topics covered. These guidelines should not be relied upon as a substitute for obtaining specific and more detailed advice in relation to a particular matter.

The staff at the Baptist Union of Great Britain at Baptist House will be very pleased to answer your queries and help in any way possible.

Contact Address and Registered Office:

Baptist Union of Great Britain, Baptist House, PO Box 44, 129 Broadway, Didcot, OX11 8RT
Telephone 01235 517700 email financeoffice@baptist.org.uk website www.baptist.org.uk
BUGB operates as a charitable incorporated organisation (CIO) with registered Charity Number: 1181392

Date of Issue: January 2024