

THE IRISH HERITAGE TRUST

REPORT OF STEERING GROUP

TO

**MR. DICK ROCHE, T.D.,
MINISTER FOR THE ENVIRONMENT,
HERITAGE AND LOCAL GOVERNMENT**

27 FEBRUARY 2006

1 Chairman's Preface

- 1.1 The purpose of a national trust is to acquire, hold and manage heritage property (both lands and buildings) in trust for the benefit of all the people in perpetuity.
- 1.2 In order to achieve this, a national trust is generally constituted as an independent, non-government, voluntary membership organisation, which usually (but not always) receives legislative standing in order to promote the proper carrying out of its charitable objectives.
- 1.3 In September 2003 a report on the historic houses of Ireland, commissioned jointly by the Department of the Environment, Heritage and Local Government and the Irish Georgian Society, was launched by the Taoiseach. One of its 16 recommendations was that a national trust in Ireland should be established. Two and a half years later, the objective of that recommendation is about to be realised in the establishment of the Irish Heritage Trust.
- 1.4 In order to assure the success of the Trust, it will be necessary for Government in the early years to be generous in the provision both of capital funding and tax concessions, until meaningful cash flow has been built up from non-Government sources. This in turn will demand an entrepreneurial ethos and commercial flair on the part of management and Board of the Trust in order to balance the equally important requirements of heritage maintenance and conservation.
- 1.5 The Trust needs to have sufficient time and opportunity to establish its credibility and foster sources of independent income. The ultimate objective of the Trust is that it should become financially self-supporting. When this is achieved – and it will take many years of dedicated effort and application – the Trust will have repaid the Government, and therefore the people of Ireland, many times over in terms of its contribution to heritage conservation and appreciation, tourism, employment, education, regional development and ultimately the self regard of the nation as a whole.

2 Establishment and Mandate of Steering Group

2.1 The Government recently approved the establishment of an independent Irish Heritage Trust, which will have a mandate to acquire on a case-by-case basis, important heritage properties at risk and provide for public access. Provision is being made in the Finance Act 2006 for tax incentives for the Trust.

2.2 The Minister for the Environment, Heritage and Local Government decided that a Steering Group with the following terms of reference should be established to advise him on the finalisation of the Trust arrangements:

- *To advise the Minister for the Environment, Heritage and Local Government on the establishment of the Irish Heritage Trust, which the Government has decided to create to acquire, for public access, major important heritage properties where the State does not wish to acquire them directly and where there is imminent risk to their heritage value through neglect or where an appropriate use cannot be brought forward through sale to a private sector investor.*

2.3 The Minister launched the Steering Group on Monday 7 November 2005. The Steering Group was small and focused and comprised:

- Sir David Davies (Chairman)
- Desmond FitzGerald, Knight of Glin
- Samantha Leslie
- Camilla McAleese
- Seán Mulryan
- Carmel Naughton
- Nobby O'Reilly
- Donal Enright

2.4 Advisers to the Steering Group included:

- Frank Carr
- Terence Dooley
- James Howley
- Nick Sheaff

3 Steering Group Timeframe

3.1 The Steering Group finalised its report to the Minister as soon as possible in order to meet his desire to dovetail with the provisions being made in the Finance Act.

3.2 The Steering Group has met on the following occasions:

14 November 2005
25 November 2005

9 December 2005
13 December 2005 *Meeting with Minister*
17 January 2005

- 3.3 The final Steering Group meeting was on 27 February 2006 at which this Report to the Minister was completed and agreed.
- 3.4 Various Sub-Groups were established under the aegis of the Steering Group to deal with specific issues relevant to the establishment of the Trust. The Sub-Groups have met on a continuing basis. The issues are dealt with in detail below.

4 Financial Issues

Budget 2006

- 4.1 In line with the Government Decision to establish the Trust, the Minister for Finance in his recent Budget speech announced that donors of properties to the Trust can avail of a new tax relief. The relief is available only in respect of donations of heritage property to the Trust and is capped at €6 million in any one year. The relief is modelled on the existing scheme for heritage donations under Section 1003 of the Taxes Consolidation Acts.
- 4.2 Funding of €0.5 million will be provided in 2006 to meet the establishment and initial running costs of the Trust and an additional €5 million will be provided in 2006 to enable the endowment funds to be established by the Trust. The Steering Group notes that this compares with a total figure of €5.5 million as initially envisaged. Properties acquired by the Trust will normally be accompanied by an endowment fund sufficient to conserve, maintain and present to the public the property in perpetuity.
- 4.3 The Steering Group understands that the original intention was that State contribution would diminish as more properties were acquired by the Trust (75% for the first property, diminishing to 25% for the fifth and subsequent properties). The Trust would have responsibility to raise all other necessary funds, using the tax exemptions available in respect of donations to charities, to assist in this.
- 4.4 The Steering Group welcomed the announcement in the Budget as a solid basis for starting the work of the Trust.

Improvement of State Supports for Irish Heritage Trust

- 4.5 The Steering Group considers that the key issues relating to State funding of the Trust are as follows:-
- 4.6 The Steering Group recognises that the annual cap of €6 million for tax relief on donations of heritage properties to the Trust was determined by reference to the limit in the existing Section 1003 of the Taxes Consolidation Acts for donations of heritage items to specified cultural institutions. However given the huge inflation of property values in

recent years, there can be a very significant difference between the prices of heritage items and heritage properties. The Steering Group therefore considers that the €6 million cap on tax relief in respect of donations to the Trust will be too restrictive.

- 4.7 The Steering Group also notes the great difficulty facing any unproven start-up organisation to be able to persuade the corporate sector and individuals to provide substantial support, notwithstanding the support from Government. The Trust needs to have sufficient time and opportunity to build its credibility and foster sources of funding. The ultimate objective of the Trust is that it should become financially self-supporting but this will inevitably take many years to achieve. The Steering Group considers the two factors outlined in paragraphs 4.6 and 4.7 lead to the recommendations in paragraphs 4.8 to 4.12:-

Recommendations

- 4.8 The €6 million cap on tax relief should be capable of being revised upwards as may be necessary from one year to the next.
- 4.9 The State support for endowment funding should continue for at least 5 years at a flat rate of at least €6 million (or adjusted upwards as individual cases require), and should not be tapered off as outlined in paragraph 4.3.
- 4.10 Achieving a private sector and individual level of contribution of 25% or more of required endowments is likely to be too challenging in the initial phase, and the level of State contribution to the endowment funds should therefore be greater than the 75% envisaged initially.
- 4.11 The decline in the State contribution to endowment funds from 75% to 25% over the first five years is too steep and too rapid.
- 4.12 The Steering Group recommends that the Minister should request Government to extend / improve the existing provisions in the manner outlined above. Without this, the success of the Trust would be very challenging.**

Taxation Issues

- 4.13 The Steering Group understands that there have been detailed discussion on specific tax issues between the Departments of the Environment Heritage, Local Government and Finance, including in relation to the definition of “heritage property” in the Finance Bill. The Steering Group is satisfied that the widest possible definition of this is required, if the Trust is to discharge the full remit of a national trust.
- 4.14 The Steering Group considered that the restricted definition in the Finance Bill as published was too narrow, and welcomes the widening of the definition in the Report Stage of the Bill to include outbuildings, gardens or designed landscape contributing to appreciation of the building in its setting. The Group also welcomes the inclusion of a provision for contents including furnishings historically associated with

the building which are important to understanding the historical or aesthetic context of the house and the fact that 'stand alone' gardens which are intrinsically of significant national, scientific, historical, horticultural, architectural or aesthetic interest will be provided for.

- 4.15 The Steering Group was concerned that the full range of properties provided for in the proposed Memorandum of Association of the Trust had been provided for. Specifically, the elements from the Trust objects not covered were landscape, coastline, estates and archives. This should be kept under review. However, it was agreed that the expanded definition now intended for inclusion in the Finance Act provides a basis for the Trust to commence its work.
- 4.16 The Steering Group recommends that the Trust keeps the issues which make its circumstances unique under active review for a considerable period and that it seek future adjustments to the taxation regime where these are justified and necessary.
- 4.17 The Steering Group also recognises that the taxation arrangements for the Trust are an important departure for the Government and accordingly recommends that the Trust should ensure that these are utilised effectively and efficiently.
- 4.18 The Steering Group recognises that the announced taxation provisions are an improvement on the recommendations of the Indecon Report, in that future tax liabilities (in addition to historic and current liabilities) may be utilised by a taxpayer in the context of a donation of a heritage property; this provision is now parallel with that in Section 1003. The Group welcomes this extended provision.

5 Memorandum and Articles of Association

- 5.1 The Steering Group has prepared a Memorandum and Articles of Association for the Trust which are set out in Appendix I. Please confirm that this will include DD's revision of the Definition of Heritage. These are based on the standardised set for charitable bodies published by the Revenue Commissioners, and they have been developed in consultation with the Chief State Solicitor's Office.
- 5.2 The Memorandum of Association is sufficiently broad and flexible to address all the current and future objectives of the Trust, including, *inter alia*, all types of Irish heritage properties and lands, the formation of subsidiary companies, entering into commercial-type arrangements, fundraising, provision for inalienability/ retention of gifted properties.
- 5.3 A specific power has been included in the Memorandum to provide for the establishment and maintenance of permanent endowment funds, in view of the importance of this funding arrangement to the continued ability of the Trust to maintain and present heritage properties in its care in perpetuity without repeated recourse to ongoing fundraising, including recurrent requests to the State for funds.

- 5.4 The Steering Group recommends that the Memorandum and Articles of Association be lodged with the Companies Registration Office at an early date.
- 5.5 The Steering Group recognises that existing Charities provisions rather than a new legislative approach have been used to establish the Trust in a speedy and effective manner, and that these have been augmented by the new tax reliefs for property donations outlined by the Minister for Finance in Budget 2006. The Steering Group recommends that the Minister leave it open, in the event that this charities-based approach is not fully appropriate or otherwise needs augmentation for the purposes of the Trust, that the option of establishing the Trust on a specific legislative provision be considered. The Group further recommends that the Trust carry out its activities in a manner that would be compatible with a move to a legislative base in the future, especially in regard to provisions for inalienability.

6 Board of Directors

- 6.1 The Steering Group recommends the following principles in respect of the Board of Directors:
- 6.1.1 Membership of the Board should comprise initially 12 members (minimum 10, maximum 14) who are appointed for a 3-5 year term with possible roll-over for a second term. There should not be potential for long-term tenure of Board members.
 - 6.1.2 The Directors should be from across the country's regions and also have expertise in key areas (such as business, finance, legal, planning, conservation, heritage) with appropriate gender balance.
 - 6.1.3 There should be no nomination rights by special interest groups, but it will be important to have a constructive relationship with input from such groups from the start.
 - 6.1.4 The Minister should appoint the first Directors on the recommendation of the Steering Group. The Steering Group agreed that the Chairman should discuss with the Minister its recommendations for Directors separately.
 - 6.1.5 The Board of Directors should have the primary responsibility to identify and recruit replacement Directors as vacancies arise; while high levels of State support continue, it would be appropriate for the Chairman to discuss potential options with the Minister.
 - 6.1.6 A review of the structure with particular reference to the points noted above should take place after 5 - 10 years. – In the

Memorandum and Articles I think we were more specific, 6 years?

- 6.2 The above principles are intended to achieve a balance between the independence of the Trust and the Minister's involvement in light of the extent of State funding.

7 Recruitment of Chief Executive Officer (CEO)

- 7.1 It is critical that the best CEO is appointed to the Trust, balancing heritage expertise and a strong commercial flair.
- 7.2 Following a competitive procedure, the Steering Group has selected AMROP HEVER to undertake an executive search for a CEO of the Trust. Initial interviews of short-list candidates has taken place and appointment of CEO should be finalised by early April 2006.
- 7.3 It is recommended that no recruitment of Trust staff should be made until the CEO is in place.

8 Location of Trust Headquarters

- 8.1 The Steering Group has examined options for the Trust's headquarters that would meet, short/medium/long-term needs.
- 8.2 In the early days of the Trust the headquarters will be small and in the establishment phase would be best located in partnership with an organisation with similar aims. The Steering Group noted that for this phase the best networking opportunities may occur in Dublin and its environs.
- 8.3 By the time the numbers of staff of the Trust has increased, and the Trust has a well recognised and respected corporate expertise, the options for headquarters inside or outside Dublin become much wider. The Steering Group recommends that an appropriate heritage property be used in the medium to longer term, either on under the management of the Trust or a sister organisation. It is recognised that this need not be located in Dublin.
- 8.4 Regarding the Registered Office for the Trust, the Steering Group considers that it would be preferable for the Trust to have an independent office from the outset rather than use a Department location as an interim measure.

9 Solicitors and Accountants

- 9.1 The Steering Group will make recommendations as to the appointment of solicitors and accountants to the Trust in due course.

10 Acquisition of Properties by the Irish Heritage Trust

10.1 The Steering Group has commenced examination of options for the acquisition of appropriate properties, and recommends that the Trust continue this process. Arrangements will be made by the Chairman accordingly.

11 Other Heritage Organisations

An Taisce

11.1 The Chairman has met with An Taisce as part of a process of building a good relationship between the two organisations.

National Trust Northern Ireland

11.2 Informal contacts have been established with the National Trust Northern Ireland.

National Trust of England and Wales

11.3 Informal contacts have also been established with the National Trust of England and Wales.

11.4 The Steering Group recommends that the Trust seeks to create and maintain close and constructive relationships with other heritage organisations and special interest groups in Ireland and the UK.

12 Summary of Key Recommendations

12.1 Given the huge inflation of property values in recent years, the €6 million cap on tax relief in respect of donations to the Trust will be too restrictive. This should be capable of being revised upwards as may be necessary from one year to the next.

12.2 The State support for endowment funding should continue for at least 5 years at a flat rate of at least €6 million (or adjusted upwards as individual cases require), and should not be tapered off.

12.3 The level of State contribution to the endowment funds should be greater than the 75% envisaged initially.

12.4 The decline in the State contribution to endowment funds from 75% to 25% over the first five years is too steep and too rapid.

12.5 The Trust should keep the issues which make its circumstances unique under active review for a considerable period and seek future adjustments to the taxation regime where these are justified and necessary.

12.6 The Trust should ensure that the taxation arrangements for the Trust are utilised effectively and efficiently.

- 12.7 Minister should request Government to extend/improve the existing financial and tax relief provisions.
- 12.8 The Memorandum and Articles of Association should be lodged with the Companies Registration Office at an early date.
- 12.9 The Trust will be established under existing charities provisions. The Minister should leave it open, in the event that this charities-based approach is not fully appropriate or otherwise needs augmentation for the purposes of the Trust, that the option of establishing the Trust on a specific legislative provision be considered.
- 12.10 The Trust should carry out its activities in a manner that would be compatible with a move to a legislative base in the future, especially in regard to provisions for inalienability.
- 12.11 The principles set out in the Report in respect of the Board of Directors should be adhered to so as to ensure a balance between the independence of the Trust and the Minister's involvement in light of the extent of State funding.
- 12.12 No recruitment of Trust staff should be made until the CEO is in place.
- 12.13 The Trust should have an independent Registered Office from the outset rather than use a Department location as an interim measure.
- 12.14 The Trust should seek to create and maintain close and constructive relationships with other heritage organisations and special interest groups in Ireland and the UK.