

**Treasurers Meeting
SORP
2015**

Beacon International Centre, Stafford
Thursday 12 November 2015



Menu

- 1. Overview of the Changes
- 2. What you need to know
- 3. Thresholds
- 4. Trustees Annual Report
- 5. SOFA/Balance Sheets
- 6. Notes
- 7. Quick Fire



SORP 2015



Overview of Changes

- SORP 2005 – Statement of Recommended Practice
- Financial Reporting Standards (FRS)
- Two options
- FRS 102 SORP
- FRSE SORP
- Financial Reporting Standard for Small Entities



Why 2 SORPS?

- New GAAP (Generally Accepted Accounting Practice)
- More aligned to International Financial Reporting
- FRS 102 – follows the new GAAP
- Financial Reporting Council retained the FRSE to ease the change for Small Organisations and Charities



So which one ?

- FRS 102 – More complicated and has some significant changes
- FRSE – changes are more subtle, easier for transition
- Issue FRSE is due to expire from 31 December 2015.
- So possible two set of changes



FRSSE

- Assuming no parish has:-
 - Annual Gross Income more than £6.5m
 - Balance Sheet more than £3.26m
 - Average number of employees more than 50

- Must meet two of the criteria.....



Objectives

- Improve Quality of Financial Reporting
- Enhance relevance comparability and understandability
- Provide clarification, explanation and interpretation of the statements
- Assist those responsible for producing the TAR and Accounts



Thresholds

Income or Expenditure	Accounts	Examination
Under £250,000	Receipts & Payments OR Accruals	Independent Examination
Between £250,000 & £500,000 (£1m)	Accruals	Independent Examination (Qualified)
Over £500,000 (£1,000,000)	Accruals	Audit



Trustees Annual Report

- The FRSE does not specify any requirements.
- Good Practice is to follow the guidelines under the current SORP
- Do not see this as a year end task, but a Mission and Communication exercise
- That does not mean one is not required



Trustees Annual Report

The Church Representation Rules (Rule 9 (1)(b)) require 'an annual report on the proceedings of the parochial church council and the activities of the parish generally' to be received by the Annual Parochial Church Meeting (APCM).

The meeting is then free to discuss it. This report is quite separate from the statement or address that the incumbent may wish to make to the APCM.



Trustees Annual Report

- SORP recommends all charities:
- Objectives and Activities
- Achievements and Performance
- Financial Review
- Structure Governance and Management
- Reference and Admin details
- Exemptions from disclosure



Objectives and Activities

- Purposes of the charity
- Main activities undertaken in relation to the purposes
- Public Benefit
- a statement confirming whether the trustees have had regard to the Charity Commission's guidance on public benefit.



Objectives and Activities

Objectives and Activities

How you are trying to fulfil the aims of the church for the benefit of everyone in the church and community.

The PCC is committed to enabling as many people as possible to worship at our church and to become part of our parish community at St. XXXX. The PCC maintains an overview of worship throughout the parish and makes suggestions on how our services can involve the many groups that live within our parish. Our services and worship put faith into practice through prayer and scripture, music and sacrament



Public Benefit

Public Benefit

The trustees of the Charity are aware of the Charity Commission's guidance on public benefit in The Advancement of Religion for the Public Benefit and have had regard to it in their administration of the Charity. The trustees believe that, by promoting the work of the Church of England in the Ecclesiastical Parish of xxxxxx it helps to promote the whole mission of the Church (pastoral, evangelistic, social and ecumenical) more effectively, within the Ecclesiastical Parish, and that in doing so it provides a benefit to the public by:

- Providing facilities for public worship, pastoral care and spiritual, moral and intellectual development, both for its members and for anyone who wishes to benefit from what the Church offers; and
- Promoting Christian values and service by members of the Church in and to their communities, to the benefit of individuals and society as a whole.



Aim and Purpose

Aim and purposes

Every Church of England church has the same aim: 'To promote the whole mission of the Church, pastoral, evangelistic, social and ecumenical'.

You will need to show any buildings etc that the PCC is responsible for in the local situation.

St. XXXX Parochial Church Council (PCC) has the responsibility of cooperating with the incumbent, *the Reverend Samuel Green*, in promoting in the ecclesiastical parish, the whole mission of the Church, pastoral, evangelistic, social and ecumenical. The PCC is also specifically responsible for the maintenance of the Church Centre complex of XXXX, The Green, Barchester.



Achievements and Performance

- Summary of the main achievements in the year – ideally compared to aims in the previous year.



Finance Review

- Financial Position at the year end
- Any reserves policy (now this may be more to do with Restricted funds)
- Any uncertainties about being a Going Concern.



Structure, Governance & Management

- This is the information that we think we all know but not everyone does!
- The question is how is the church organised and who decides what?
- This is where you explain what the PCC is and how it is elected, its responsibilities, and any subcommittees that have been set up.
- It needs to include a brief note on any significant transactions with PCC members or closely related persons.



Reference and Admin

- Formal name of the Charity/Church
- Address or Office Address
- Correspondent Address if different to the above
- List of all the PCC members who have served in the year or appointed before the date the accounts are signed, even if after the reporting period.
- Charity Registration number if applicable and name if different to the formal name shown at the top.



Optional

- A chance to thank volunteers who served in the year
- Acknowledge any large grants – may be a condition of the grant



Exemption Disclosure

- Two purposes
- Explain any reason why certain policies are not in place that are deemed necessary. Accounting Policy or other policies, e.g. Health & Safety, Safeguarding etc
- A PCC member served but details are not disclosed for legal reasons



Larger Charities

- Legally with income in excess of £100k pa
- Risk Register
- Investment Policy
- Future Plans
- Fundraising Policy
- Grant Making Policies
- Social investments
- Smaller charities can still record such policies but optional.





Classes of Funds

- Unrestricted
 - Unrestricted or Free Funds
 - Designated
- Restricted or Special Funds
 - Income
 - Endowment
 - Expendable
 - Permanent



Restricted Funds

- Specific Trust
- Donation **declared by the donor**
- Trustees can not make a decision to restrict funds
- Non binding preference donation
 - Unrestricted funds
 - But to honour wishes make them designated



Fund Accounting

Total Return Accounting

 DIOCESE OF LICHFIELD
GOING FOR GROWTH

Total Return Investments

- Trust (Capital and Income) Act 2013
- Permanent Endowments
- Capital Value increases are added to the reserve
- Income is applied as per the terms of the Endowment, either Restricted or Unrestricted
- Option to adopt a policy called Total Return Investments

 DIOCESE OF LICHFIELD
GOING FOR GROWTH

Total Return Investments

- Principle
- To adopt a policy where capital appreciation is treated as income
- The value of the initial gift must be retained and sufficient funds remain to fulfil the terms of the original gift
- Invested for return, irrespective of capital or income return. Total Annual Return.

 DIOCESE OF LICHFIELD
GOING FOR GROWTH

Total Return Investments

- Total Return Approach has two distinct components.
- Value of the trust for investment (including the original gift)
- Unapplied Total Return
 - Accumulation of investment returns less any amounts allocated to income



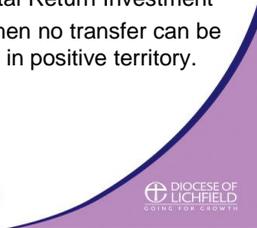
Unapplied Total Returns

- Periodically decide how much of the Unapplied Total Return to use as capital
- How much is retained as Endowment
- This allocation must be made equitably to balance the need for income to meet current requirements and to hold funds as part of the Endowment to produce future investment returns



Unapplied Total Returns

- Of course stocks are known to make a loss every now and then.
- Where there is a negative return then this is added to the Unapplied Total Return Investment
- If the balance is negative then no transfer can be made until the fund is back in positive territory.



Total Return Investments

- Accounting
- Income, dividends, rent or interest is shown as Endowment Income
- Change in investment valuation is shown under Endowment
- Net Value for the year added to Unapplied Total Returns
- Transfers are shown under the transfer line to unrestricted or restricted funds.



SOFA

Statement of Financial Activities

SOFA

- Main changes
- The headings are different
- Detail is in the notes
- Comparatives – now required to show the comparatives split between the different funds and total



SOFA – Comparatives

- Two options.
- One sheet with loads of columns that no one can read, could be 6 columns could be 10 columns
- Or put the total comparative on the front sheet and the split between funds as a note to the accounts



SOFA – Income

- Donations and Legacies
- Charitable Activities
- Other Trading Activities
- Investments
- Other
 - This can include the revaluation of investments



SOFA – Expenditure

- Raising Funds
- Charitable Activities
- Other



SOFA

- Net Movements
- Transfer between funds
 - Must equal zero
- Investment gains and losses
 - Can be under other income or costs
- Defined Benefit Pensions
- Net Movement
- Balance b/f
- Balance c/f



SOFA - rules

- No offsetting
- Going Concern – required to assess if the charity is a Going Concern
- Legacies/Donations – rules relaxed so can be accounted for once a fair value can be reliably measured - *hmmmm*



SOFA - notes

- Most notes are the same just a little more detail as there is just a figure on the front sheet.
- However the new SORP likes tables in the notes – some should already be done others – are new



SOFA - Activities

Activity	Activities undertaken directly	Grant Funding	Support Costs	Total
Activity 1				
Activity 2				
Activity 3				
Total				

More ideally suited for projects and restricted funds but could be used for specific activities you wanted to report.



SOFA – Fund Movement

Fund Name	Fund b/f	Income	Expenditure	Transfers	Gains and Losses	Fund balance c/f
Fund 1						
Fund 2						
Fund 3						
Total						

Can be done for unrestricted funds but should be done in sections, for designated funds, Restricted funds Endowment Funds.
 Each Designated, Restricted and Endowment fund should also have a brief note explaining the origins and purposes of the fund



Balance Sheet

Balance Sheet

- You will be delighted to know there are no significant changes !
- New areas include
 - Heritage Assets
 - Provisions for Liabilities
 - Valuation of Tangible Assets (awkward)



Fixed Assets

- Intangible Fixed Assets – not applicable
- Tangible Fixed Assets
 - Property should be shown at cost or valued. One off value would suffice and then attached to an index linked revaluation or Frozen. Not sure practical for Halls, cost involved. Insurance valuations no longer deemed acceptable. Fair value may be applied with reasons.
- Investments
- Heritage Assets



Heritage Assets

- Historic, artistic, scientific, technological, geophysical, or environmental held and maintained for its contribution to culture and knowledge.
- Should be depreciated but most have infinite life, so Impairment reviews are required.
- Suggestion
 - Continue to account the same way
 - Revalue once and then review every so many years, do an impairment charge for the years between revaluations.
 - Each class of asset must have the same policy



Heritage Assets

Basis of Capitalisation	At Valuation Group A	At cost Group B	Total
Carrying amount			
Additions			
Disposals			
Depreciation			
Impairment			
Revaluation			
Carrying amount			

Heritage Assets have their own standard FRS 30 although not covered by the SORP so if applicable please leave a contact for us.



Current Assets/Liabilities

- Stock
- Debtors
- Investments
- Cash
- Creditors – due in one year
- Creditors – due in more than one year
- Provision for Liabilities
- Pensions



Grants

- Under FRSSSE there is a change in grants and accounting depending on the terms
- If a grant is based on conditions then it should only be accounted for based on the conditions met. (Accruals)
- Balance of grant is deferred – Creditor
- Grants with life expectancy (i.e. 25 year term) then class as a note not as a creditor.



Parish Share

- Parish Share is technically a voluntary donation
- Church Accounting Regulations state:-

*Section 5.10 (v) states:-
 If a PCC has not fully paid its parish share but has indicated to the DBF that it intends to make further repayments towards the outstanding amount, that payment should be included as a creditor in the balance sheet (statement of assets and liabilities). If for whatever reason a PCC's full share is not to be met, this fact should be mentioned in the annual report to enable a full understanding of the PCC's financial affairs.
 So in order to show a true reflection of the financial position, the arrears should clearly be shown – and ideally a statement showing how the situation has arisen.*

If of course the PCC has no intention of meeting the arrears then they need to communicate this to the Archdeacon or Bishop.

- Should be shown as a creditor or Provision for liability



Other provisions

- Contingent liabilities
- Disputes
- Contracts and obligations
 - These should be shown as a note as a Commitment and not included in the accounts.



Reserves

- The FRSSSE likes Revaluation reserves
- So the original cost remains in the reserve and any increase in value is shown under revaluation.
- Whilst the FRSSSE believes most are unrestricted, if they are for different restricted or Endowment then they must be shown separately.
- Or Ignore.....







Small parishes

- As there will be change, then do not worry about all the finer detail
- Whilst FRSSSE also requires a cash flow (£500k) with changes I think it is overkill and not required.
- Larger and registered certainly should try to implement the changes
- FRSSSE is going but the replacement is not supported by a SORP.



Latest

- S1A of a revised FRS is not practical to charities
- Preferred option is disapply S1A irrespective of size and apply FRS102 in full.
- Larger Charities be defined as in excess of £500k per annum – the limit for cash flow statements.
- If you start with these changes then you are on your way.
- FRS 102 just adds more detail



Aim

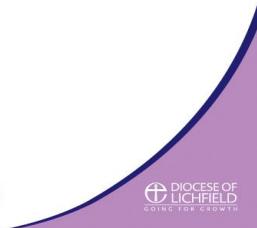
- A FRSSE example will be on the diocesan website before the end of the year
- We are here to help – please ask
- Ideally parishes will produce like for like accounts in the same way 40 diocese produce 43 different versions
- DBF will have to prepare accounts under FRS 102 this year so let us suffer first and share next year.



Quick Fire

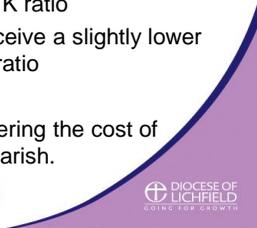
Quick fire

- 1. Parish Share
- 2. Fees Reminder and update
- 3. Pensions
- 4. Gift Aid
- 5. Managing Risk
- 6. Investments
- 7. Parish Resources



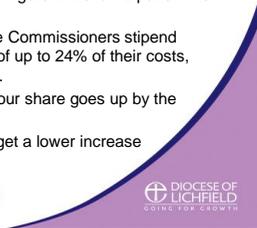
Parish Share

- New Cost of Ministry for 2016 is £51,990.
- Base share increase for 2016 is 1%
- Those with a low K will increase by 1% plus a small amount to raise their K ratio
- Those with a high K will receive a slightly lower increase to reduce their K ratio
- What is the K ratio ?
- It is a measurement of covering the cost of ministry deployed in your parish.



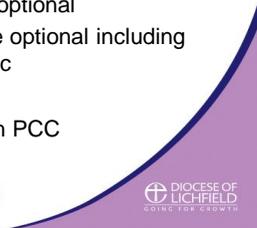
K ratio

- $K = \frac{\text{Share plus CCA}}{\text{Adjusted Cost of Ministry}}$
- Adjusted Cost of Ministry – Local Mutual support, so an A1 parish cost of ministry is 75% of the diocesan figure whilst a F2 parish it is 1.5 times the Diocesan figure
- CCA – this is the apportionment of the Commissioners stipend allocation. UPA parishes get support of up to 24% of their costs, Small parishes get up to 32% support.
- If your K ratio is lower than 1.0 then your share goes up by the Diocesan average
- If your K ratio is greater than 1.1 you get a lower increase



Fees

- New fee table at the back
- Statutory fees now due to the DBF not the Incumbent
- Local fees – statutory and optional
- All non stat fees have to be optional including heating, organist, vergers etc
- Please do monthly returns
- PCC fee for funerals, which PCC

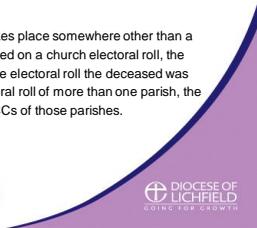


PCC Fees

Section 1(7) of the Ecclesiastical Fees Measure 1986 (as amended) sets out which PCC should receive the PCC part of the fee

(a) In the case of a burial or funeral service that takes place in a church or churchyard, the PCC fee belongs to the PCC of the parish where the church or churchyard is situated.

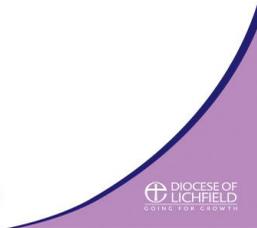
(b) In the case of a burial or funeral service that takes place somewhere other than a church or churchyard, and the deceased was entered on a church electoral roll, the PCC fee belongs to the PCC of the parish on whose electoral roll the deceased was entered. If the deceased was entered on the electoral roll of more than one parish, the fee is to be shared equally between each of the PCCs of those parishes.



PCC Fees

(c) In the case of a burial or funeral service which takes place somewhere other than a church or churchyard and the deceased was not entered on any church electoral roll, the PCC fee belongs to the PCC of the parish where the deceased had his or her usual place of residence.

(d) In any other case, the PCC fee belongs to the PCC of the parish where the service or other event to which the fee relates takes place.



Pensions Auto enrolment

- Legislation that came in to force in October 2012
- Idea is to deal with the growing pensions black hole
- Phased in – most PCC will be faced with it between April and October 2017
- Not everyone qualifies



Ground rules

- Every employer must automatically enrol workers into a work place pension scheme who:-
- Are not already in one
- Aged between 22 and state pensions age
- Earn more than £10,000 pa
- Work in the UK
- **This is Auto enrolment**



Qualifying amounts

- You get to choose
- Based on full salary
- Or based on qualifying amount – between £5,824 and £42,385
- This means only pay pension contributions on amounts over £5,824 and under £42,385 (Pensionable Salary)



Contributions

- From date of Enrolment to 30 September 2017 – 2% of which the employer must pay 1% (1:1)
- October 2017 to 30 September 2018 – 5% of which the employer must pay 2% (2:3)
- From 01 October 2018 – minimum contribution is 8% - employer must pay 3% (3:5)



Non Eligible Workers

- Those who are
- Between 22 and State Age Pension
- Work in the UK
- Have qualifying earnings but under the auto enrolment figure
- OR



Non Eligible Workers

- Those who are
- Between 16 and 21 or and State Age Pension and 74.
- Work in the UK
- Have qualifying earnings that are above the auto enrolment figure



Non Eligible Workers

- Non eligible workers have the right to request information and request to join or opt in the Pension Scheme
- It will depend on what your views or policies are on the Pension Scheme that is operated.



Gift Aid

- Are you maximising the tax efficient giving
- On website different ways to Gift Aid
- Just Giving/Virgin Money
- BT MyDonate
- Small Donations (GASDS)



Gift Aid

- Changes.....
- Wording on Gift Aid declarations signed after 6th April 2016.
- This includes one off declarations
- GASDS - £5k increases to £8k from April 2016.
- Community building
- **Top Up**



New Declaration Wording

New style declaration (introduced from early October with compliance expected from 6 April 2016)

I want to Gift Aid my donation of £..... to.....(Name of charity). I am a UK taxpayer and understand that if I pay less income tax and/or Capital Gains tax in a tax year than the amount of Gift Aid claimed on all of my donations in that tax year it is my responsibility to pay any difference.

Title/First Name/Surname/Home Address/Postcode/Date*

- Taxation of dividends - loss of tax credit on "tax free" band of £5,000
- A donor with pensions of £11,000, interest of £500 and dividends of £5,000 will no longer have a tax liability and will not be unable to claim gift aid.

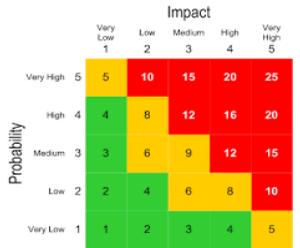


Giving Direct

- Standing Orders are fine if reviewed
- Have a Review of Giving Sunday
- Giving Direct – Direct Debit Giving
- Monthly tax efficient
- Centralised Scheme



Managing Risk



Investments

- Interest rates likely to remain low
- Look at any cash balances
- Are funds needed in the short term ?
- Better returns available on investment
- Working with CCLA
 - One to one session
 - Conference style



Parish Resources

- October 2012 – we created Parish Resources
- Idea
- Reduced costs by around £60k
- Provide a broader service – web based
- Closer links with Gift Aid
- Closer links to Ministry, Mission and Transforming Communities



Parish Resources

- Resources available on the website
- All can be produced to make Parish Specific
- Lets us know if it works
- Let us know if it is not successful
- Let us know if you have tried something different
- There is other material available



Parish Resources

- What to communicate
- Narrative Budget
- No Such Thing as a Free Vicar
- Gift Aid Material
- Project Support Officers
- Church Building Supports



Parish Resources

- Designed to help and support parishes
- Contact us
- <http://www.lichfield.anglican.org/ourdiocese/parish-resources/>
- <http://www.lichfield.anglican.org/ourdiocese/christian-giving/>
- <http://www.lichfield.anglican.org/ourdiocese/gift-aid/>
- finance@lichfield.anglican.org



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