

ASSOCIATION OF CHURCH
ACCOUNTANTS AND TREASURERS

President: The Bishop of London

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Newsletter

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ACAT

NEW CHARITIES ACT

The act received Royal Assent on 8th November. In its passage through Parliament, there were no major amendments, so the main features, affecting existing churches, remain:

- Churches previously excepted from registration with the Charity Commission will have to register when income from all sources exceeds £100,000. This threshold may eventually be reduced, but this is unlikely to happen for at least 5 years when the Minister concerned has to report on the effects of the new act.

- An audit by a registered auditor will be required where a) gross assets (valued in accordance with SORP – see Accruals chapter of handbook) exceed £2.8M and income exceeds £100,000, OR b) income exceeds £500,000, (previously it was income or expenditure that had to exceed £250,000). No reference to preceding years will be necessary, only the figures for the year under review will be taken into account. Where income is between £250,000 and £500,000 the independent examination will have to be undertaken by somebody with a suitable qualification as follows;

a) member of a body for the time being specified in section 249D(3) of the Companies Act 1985 (reporting accountants);

b) member of the Chartered Institute of Public Finance and Accountancy;

c) a Fellow of the Association of Charity Independent Examiners.

- Within certain limits and safeguards, it will be possible to pay trustees for specific services outside of their service as a trustee. This will help those churches that employ their Minister, or other church officers, and also require those “employees” to be trustees.

- Provided there is no prohibition in the church’s foundation or governing document, it will be possible to arrange trustees’ indemnity insurance.

- A unified statutory licensing scheme for public and door-to-door collections including basic eligibility criteria for all organisations. There are exemptions for local, short-term collections provided the organisers notify the local authority of their intention to collect.

(Cont page 2)

- Trustees can apply either to the Charity Commission or the Courts for relief from personal liability for breach of trust where they have acted reasonably and honestly. Previously such application could only be made to the Courts.
- Some churches may have considered the desirability of having a “legal personality”. In the past this could only be achieved by setting up as a company and registering with and making returns to both the Charity Commission and Companies House. The Act provides for a new “Charitable Incorporated Organisation” which will avoid this duplication and provide a framework designed specifically for charities.

Implementation proposals, published recently, provide for provisions to be phased in over the next three years: audit thresholds in early 2007; registration not before 2008; public charitable collections 2009. Until new orders are made, the previous provisions continue to apply. ACAT will keep members informed as the various orders are made, and in due course those chapters in the handbook affected by the Act will be adjusted.

It is important that churches should not seek early registration; please check with your higher church authorities. Many churches at national level are negotiating with the Commission standard formats for foundation/governing documents and registration procedures.

CHARITIES LEGISLATION IN SCOTLAND

Following the passing of a new Charities and Trustee Investment (Scotland) Act in 2005, the Charities Accounts (Scotland) Regulations 2006 have been introduced. This is a Scottish Statutory Instrument, which determines the way Scottish charities must produce Reports and Accounts, in the same way as UK Statutory Instruments (re-enforced by SORP) control Reports and Accounts for charities in England and Wales. It applies to any financial year beginning on or after 1st April 2006.

Charities with gross income in excess of £100,000 must prepare annual financial statements and an annual report which comply with the provisions of SORP, so the rules are essentially the same as apply to

charities in England and Wales. Charities with income below £100,000 can produce financial statements on the Receipts and Payments basis, but whereas there are no detailed regulations for charities in England and Wales, there are very detailed requirements for such financial statements and the annual report in the Scottish regulations. The audit and independent examination requirements are the same as those in the new Charities Act 2006 detailed on page 1.

For further details see: <http://www.oscr.org.uk/PublicationItem.aspx?id=cdd37eb5-e5ef-4a25-a653-ba6fcf356db6>. A new chapter will be added to the handbook in due course.

**THE 2006 ANNUAL CONFERENCE -
‘WHAT EVERY TREASURER NEEDS TO KNOW
ABOUT CHARITY LAW ‘ - Joss Saunders,
Blake Laphorn Linnell, Solicitors**

In an entertaining presentation Joss Saunders looked at areas of interest to the church treasurer.

After touching on the progress of the Charities Bill he commented on the proposed Charitable Incorporated Organisation which could be an appropriate structure for church related activities.

Funds and fundraising are, he advised, areas that should concern not only the treasurer but also all those in authority. In his view unrestricted funds are a pearl of great price since they can be used to meet any expenditure provided it is within the church's objects. Asking for funds to meet a specific need might touch the heart more readily but they can only be used for the purpose for which they were raised. The important lesson is to word appeals in a way that permits the church to use the funds without restriction.

Turning to investment powers he drew attention to the obligation to set investment policies. Churches should not overlook the Bishop of Oxford case, which sought to oblige the Church Commissioners to adopt an ethical investment policy.

Investments held by churches are often for the longer term. Those responsible for setting investment policies should look at both capital growth and income. Total return is likely to give the optimum result over a period of years.

Setting up a new charity is something that many churches might consider. This might be advisable for activities such as a café operation or a joint venture between several churches. A separate charity has the advantage of independence from those sponsoring a venture and might also provide VAT saving opportunities.

Looking at the most common charitable structures and the occasions where they were appropriate, Joss Saunders gave guidance on transferring from one to another.

Registration of churches with income over £100,000 will mean more contact with The Charity Commission. They should be seen not as a foe but as a friend, an enabler and a source of help and information.

Property problems can be a real issue and Joss Saunders provided some signposts to aid understanding of relevant issues.

FIRE EXTINGUISHERS SUPPLY AND SERVICE

Chubb Fire Limited has recently re-negotiated its corporate contract with The Churches Main Committee. The new agreement will expire on 31st March 2009. Prices, fixed till then and subject to VAT, are:

- Servicing: inspection of portable fire extinguishers including provision of parts, refilling and discharge testing £6 each; inspection of fire blankets free (if done whilst servicing extinguishers); minimum invoice per location £12.
- Emergency call out: £6 per extinguisher; minimum invoice £12
- Supply charges: 9 ltr water £36.89; 6ltr hydro spray £36.89; 2 ltr aff £23.31; 6 ltr aff £44.62; 6 ltr purafoam £54.62; 2kg dry powder

£35.60; 2kg CO2 £56.04; 1.2m x 1.2m fire blanket £16.53. (Note: extinguishers supplied are subject to £6 initial inspection charge.)

Chubb states that by participating in this agreement churches will benefit from up to 40% discount off the purchase price of new extinguishers and fixed discounts for other associated items.

Full details can be found on the ACAT website under “links” or obtained from Chubb Fire Ltd, Corporate Accounts Department, P O Box 16, Manchester, M24 4YJ (marked for the attention of Manuela Vicari) tel: 0161 654 2229 fax: 0161 654 2289.

SUBSCRIPTION RENEWALS

In addition to block memberships, there are 800 individual members paying subscriptions by personal or church cheque. We try to request renewals around the anniversary of joining but of such members contacted by post or email up to 31 December, some 70 have not replied

despite reminders. We appreciate that treasurer appointments change, but please respond to our renewal reminders, preferably with your cheque, but otherwise with reasons for non renewal so that we can keep records up-to-date.

ACAT NEWSLETTER is published by the Association of Church Accountants and Treasurers. Information contained in the newsletter is prepared carefully from the information available, but ACAT accepts no responsibility for its complete accuracy; members should always consult their professional or Church advisors. Contributions and letters for future publication, requests for information or assistance, or membership applications should be directed to: admin@acat.uk.com or to any of the officers below

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