Association of Grace Baptist Churches South East

27 January 2024

Agenda

- 10.00 Charity Governance
  - Including a breakout
- 12.15 Lunch
- 1.00 Finance
- 2.00 Break
- 2.15 Finance bits
- 3.00 Help
- 3.20 Break
- 3.35 Q and A…not sure? Too long? End at 4?
- 4.15 Reflection
- 4.30 End

GOVERNANCE

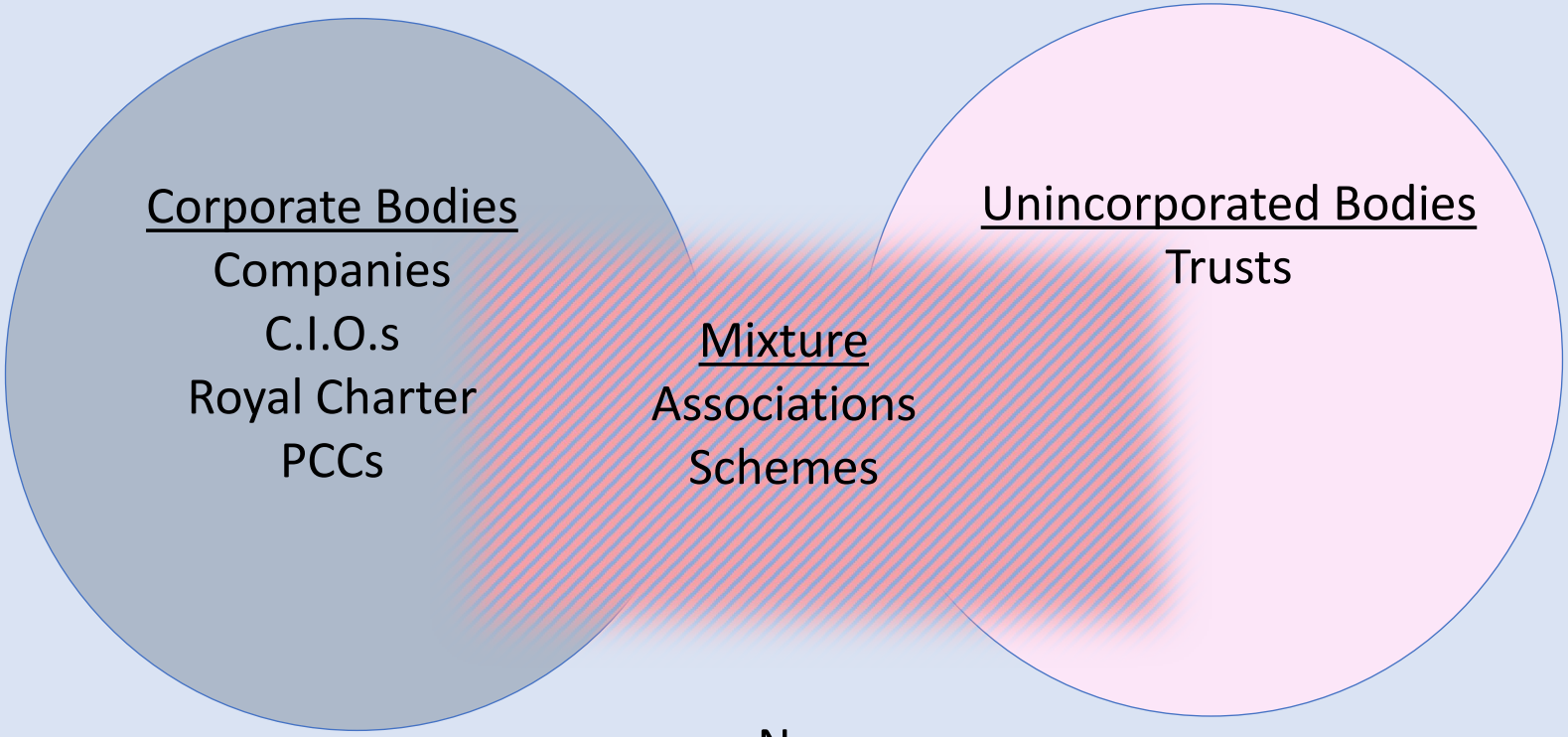
What is a charity?

- Wholly and exclusively charitable
  - Charitable in nature
  - No profit distribution
- Provides a public benefit
- Legal list of purposes

- Registered
- Excepted
- Exempt

- Scotland
- Northern Ireland

Types of charity – legal form

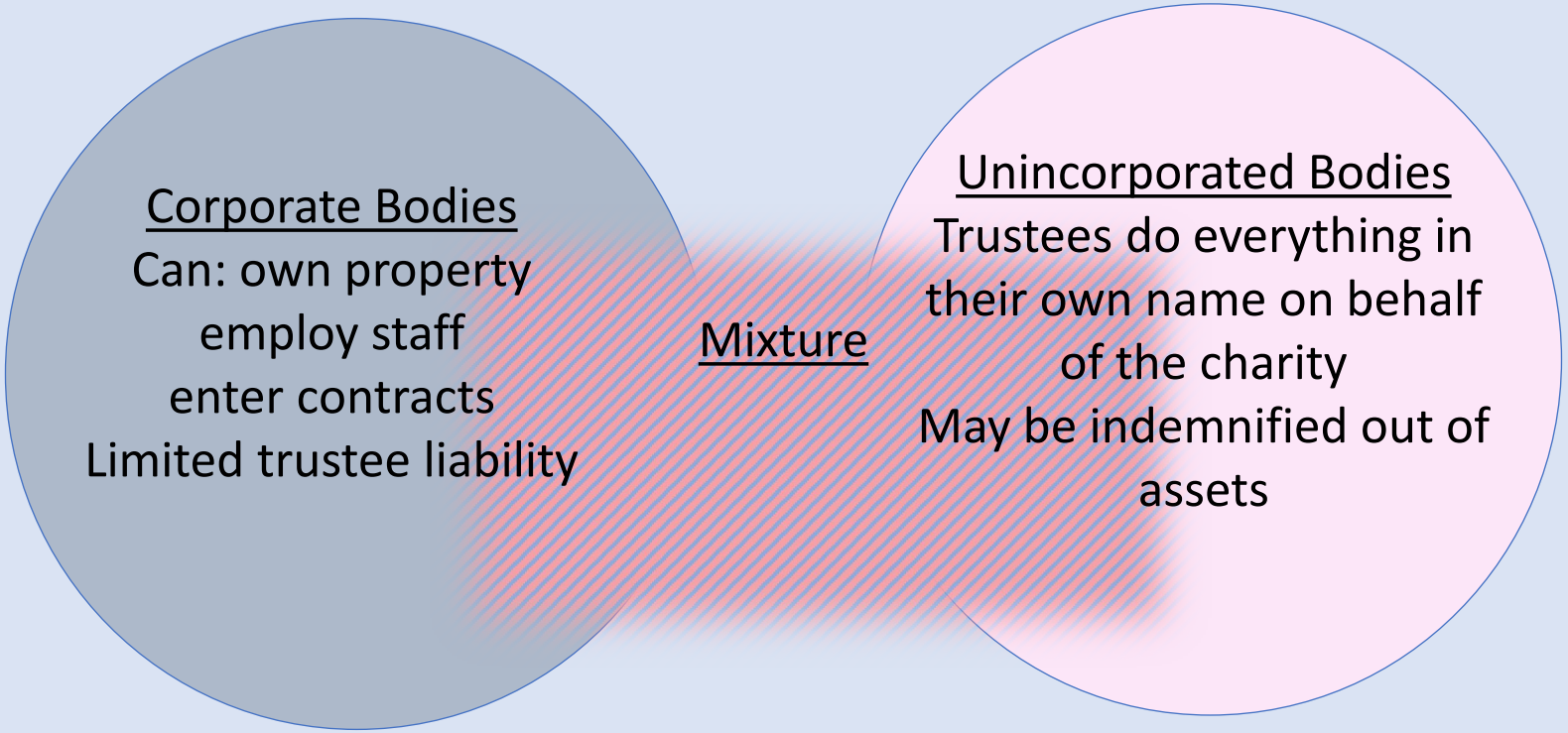


Never

Community Interest Companies

PLCs

Types of charity – legal form



Who regulates charities?

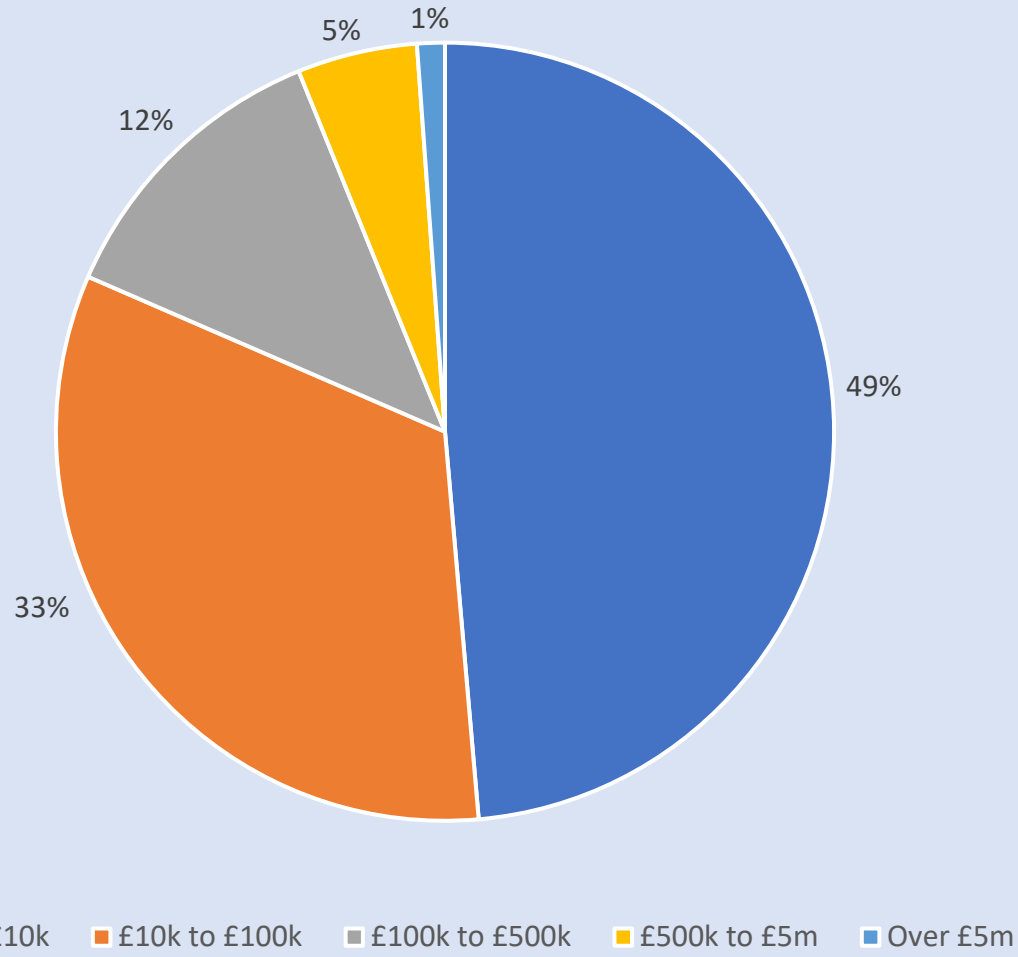
Charity focus	Financial focus	Activity focus examples
Charity Commission OSCR CCNI	HMRC Companies House FRC/ARGA	FCA Privy Council Fundraising Regulator Information Commissioner

Reporting varies with type and size

Gross income	Minimum accounts requirement	Minimum scrutiny requirements	Notes
£0 to £25,000	Receipts & payments accounts with a statement of assets & liabilities	Approval by trustees (Examination required in Scotland)	Receipts & Payments not available for companies No filing requirement with CC unless a CIO
£25,000 to £250,000	Receipts & payments accounts with a statement of assets & liabilities	Independent examination (lay)	Receipts & Payments not available for companies
£250,000 to £500,000	Accruals accounts – SORP with some exemptions	Independent examination (professional)	
More than £500,000	SORP applied in full	Independent examination (professional)	Audit threshold in Scotland and Northern Ireland
More than £1,000,000 (or gross assets are > £3.26m and income is more than £250k)	SORP applied in full	Audit	Audit required under Companies Act if income over £6.5m

Distribution of sector by size

- THERE ARE C.183,000 REGISTERED CHARITIES IN ENGLAND AND WALES



Focus on good governance

carillion

FIFA

Post Office



Churches and smaller charities are no exception







Public trust in charities 2023

- “ We are in an era of charity trust in which the value of charity is still recognised but where doubts persist.

- There is a divide in attitudes towards charities and there is potential for that divide to widen. Trust in charities has marginally increased at a time when trust in other institutions has flatlined or fallen”

- The key drivers of trust in charities have not changed during/since the pandemic: people expect charities to:

    - show that they make a positive difference
    - spend a high proportion of funds on the end cause, and
    - live their values, showing charity not just in what they do, but how they behave along the way

Trustees

- Charity trustees: the persons having the general control and management of the administration of a charity.

- Holding trustees: not charity trustees. They cannot make decisions about the management of the charity or its property. They must follow the lawful directions of the charity trustees

Religious or spiritual leaders as trustees

- A religious leader (such as a Granthi, Imam, Priest or Rabbi) can be a trustee of a charity, unless this is not allowed by the charity's governing document.
- Religious leader trustees should have the same level of involvement, participation and responsibility in decision making as all other trustees. This is unless the charity's governing document says something different.
- Religious leader trustees can provide guidance on spiritual matters. But decisions about the charity must be made by all trustees acting together.

CC: Managing faith charities as trustees

Key guidance – CC3

GUIDANCE

The essential trustee: what you need to know, what you need to do



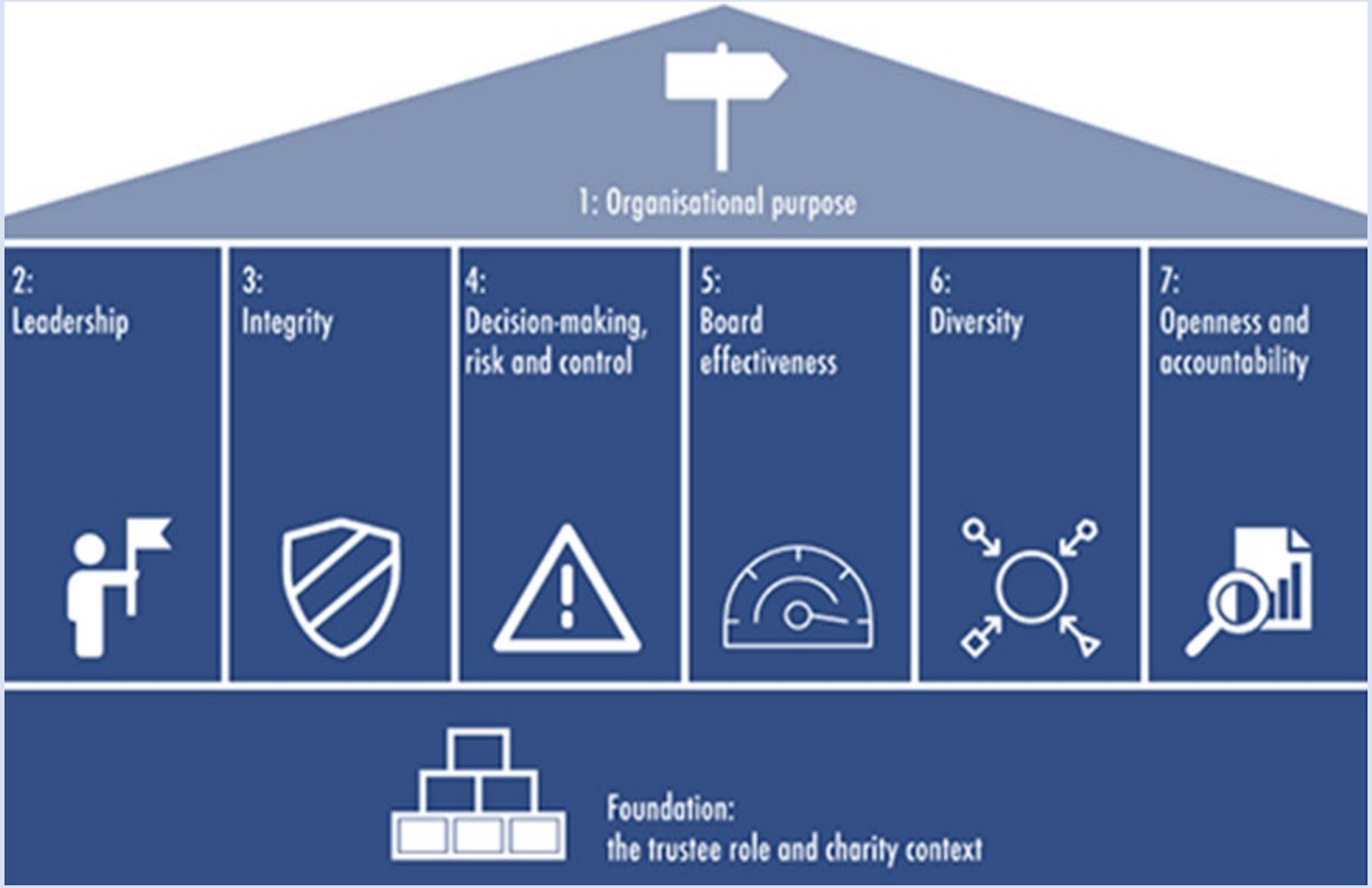
Contents

1. About this guidance	2
2. Trustees' duties at a glance	4
3. Who can be a trustee and how trustees are appointed	7
4. Ensure your charity is carrying out its purposes for the public benefit	10
5. Comply with your charity's governing document and the law	13
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7. Manage your charity's resources responsibly	20
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Key guidance



Charity Governance Code – Apply or explain



Charity Commission Annual Return

The policies and procedures appropriate for your charity will vary depending on the size, nature and activities of your charity.

The Charity Commission expects most charities to have policies and procedures on:

- internal charity financial controls
- financial
- risk management
- trustee expenses
- trustee conflicts of interest
- serious incident reporting policy

It may also be appropriate for your charity to have policies on:

- investing charity funds
- engaging in political activity
- bullying and harassment

Charity Commission Annual Return

8. Governance

Which of the following policies and procedures did your charity have in place at the end of the financial period of this annual return?

(Tick all that apply)

a. internal charity financial controls policy and procedures

b. safeguarding policy and procedures

c. financial reserves policy and procedures

d. complaint's policy and procedures

e. serious incident reporting policy and procedures

f. internal risk management policy and procedures

g. trustee expenses policy and procedures

h. trustee conflicts of interest policy and procedures

i. investing charity funds policy and procedures

j. campaigns and political activity policy and procedures

k. bullying and harassment policy and procedures

l. social media policy and procedures

m. engaging external speakers at charity events policy and procedures

Reporting Serious Incidents

A serious incident is an adverse event, whether actual or alleged, which results in or risks significant:

• harm to your charity's beneficiaries, staff, volunteers or others who come into contact with your charity through its work

• loss of your charity's money or assets

• damage to your charity's property

• harm to your charity's work or reputation

"significant" means significant in the context of your charity, taking account of its staff, operations, finances and/or reputation.

FINANCE 1

Year End Accounts

- Some smaller charities: Receipts and Payments
- Larger charities: SORP (STATEMENT OF RECOMMENDED PRACTICE, Interprets UK Financial Reporting Standard 102 for charities)
  - Is mandatory for statutory accounts
  - Covers presentation and principles
  - Sets out principles for both types of report

CHARITY COMMISSION FOR ENGLAND AND WALES

Charity Name	No (if any)

Receipts and payments accounts

CC16a

For the period from	Period start date	To	Period end date

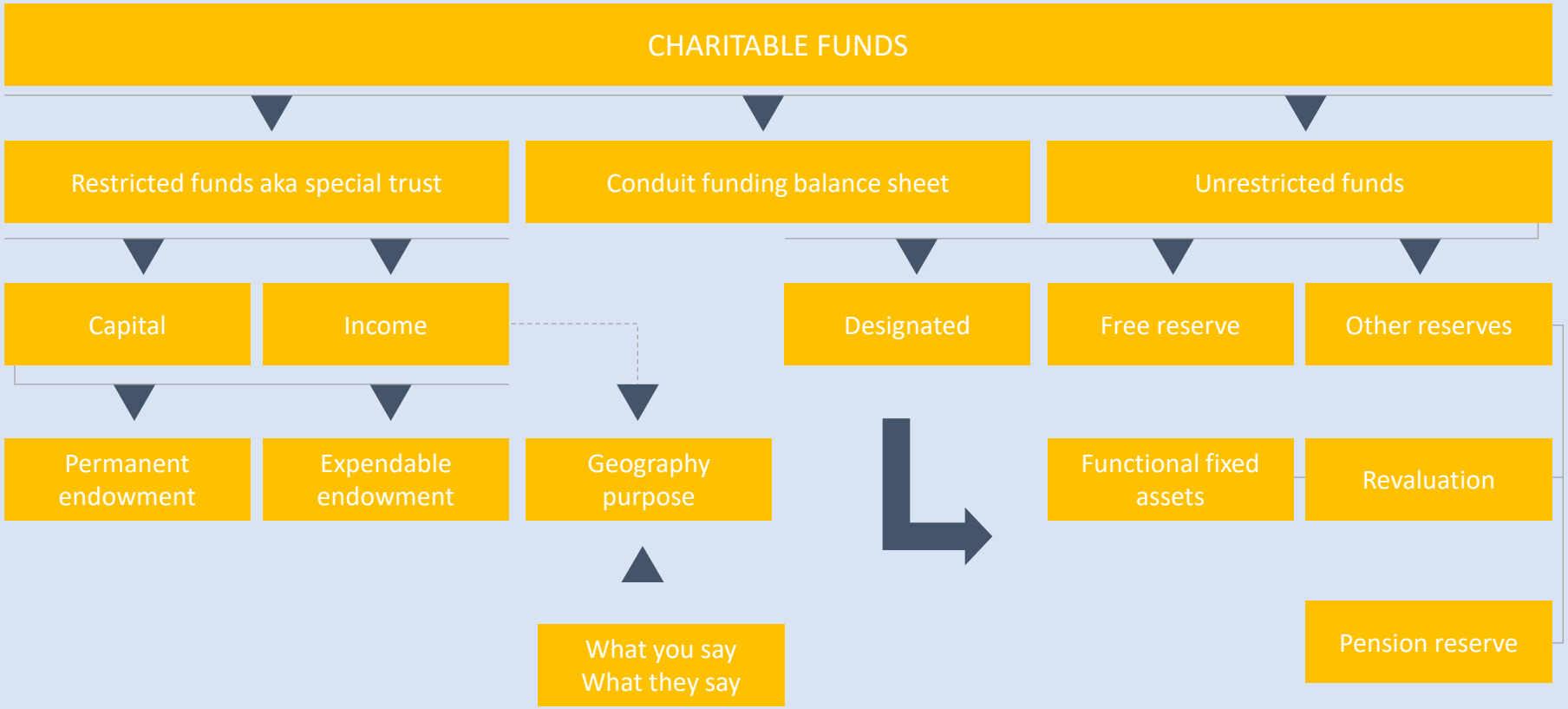
Section A Receipts and payments

	Unrestricted funds to the nearest £	Restricted funds to the nearest £	Endowment funds to the nearest £	Total funds to the nearest £	Last year to the nearest £
A1 Receipts					
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
***Sub total** (Gross income for AR)*	-	-	-	-	-
A2 Asset and investment sales, (see table).					
	-	-	-	-	
	-	-	-	-	-
Sub total	-	-	-	-	-
Total receipts	-	-	-	-	-

R&P Accounts

Ready Accessibility: Unavailable

Types of funds



Statement of Financial Activities for the year ending 31 December 2022

	Notes	Unrestricted Funds £	Restricted Funds £	Total 2022 £	Total 2021 £
Income					
Donations, including gift aid		339,049	158,920	497,969	412,269
Grants		49	-	49	12,247
Legacies		-	37,356	37,356	20,000
Rental		83,246	-	83,246	58,733
Other		6,236	69	6,305	14,041
Total income	1	428,579	196,345	624,924	517,291
Church activities	2 & 3	475,667	109,053	584,720	599,546
Net income/ (expenditure)		(47,087)	87,291	40,204	(82,255)
Transfers between funds		(7,147)	7,147	-	-
Net movement in funds		(54,234)	94,438	40,204	(82,255)
Total funds at start of year		2,257,961	5,350	2,263,311	2,345,566
Total funds at end of year		2,203,726	99,789	2,303,515	2,263,311

The notes on pages 11 to 20 form part of these accounts

Balance sheet as at 31 December 2022

	Notes	Group 2022	Group 2021	Charity 2022	Charity 2021
Fixed assets - property	4	1,895,001	1,895,001	1,895,001	1,895,001
Current assets					
Debtors and prepayments		12,629	2,865	12,629	2,865
Cash held as investment		307,827	339,655	307,827	339,655
Cash held in bank accounts		98,219	28,166	53,414	28,166
Total current assets		418,675	370,686	373,870	370,686
Creditors due within one year	5	10,161	2,376	10,161	2,376
Net current assets/ (liabilities)		408,514	368,310	363,709	368,310
Total net assets/ (liabilities)		2,303,515	2,263,311	2,258,710	2,263,311
Represented by:					
Unrestricted funds:					
Property (revaluation) reserve		1,895,001	1,895,001	1,895,001	1,895,001
Other unrestricted funds		308,725	362,960	308,725	362,960
Total unrestricted funds		2,203,726	2,257,961	2,203,726	2,257,961
Restricted funds		99,789	5,350	54,983	5,350
Total funds		2,303,515	2,263,311	2,258,710	2,263,311

Approved by the Parochial Church Council on 27th February 2023 and signed on its behalf by

2 Analysis of expenditure

	2022 £	2021 £
Paid to diocese - parish share	119,116	118,600
Other staff costs, including accommodation	262,397	263,215
Ministry costs, excluding staff	34,869	40,849
Church and hall maintenance, equipment	104,554	151,429
Office costs (support costs)	23,922	16,361
Grants to other organisations	35,892	7,399
Governance costs - examination fee	3,970	1,692
	584,720	599,546
Restricted expenditure included above:	109,053	(PY: 40,985)

Explanation of costs:

- Paid to diocese - parish share: covers ordained staff and related support from the diocese.
- Other staff costs, including accommodation: includes all other costs relating to staff, including payments to BHCWT, and notional cost of donated services. This allocation basis has changed with direct employment of staff by PCC.
- Ministry costs, excluding staff: costs of materials, events and other costs directly related to our ministry.
- Church and hall maintenance, equipment: incurred on consecrated property, or below our capitalisation limit.
- Office costs (support costs): overheads.
- Grants to other organisations: mainly comprise grants made by JHMT, consolidated for the first time in 2022.

Restricted funds comprise:	Opening funds	Income	Expenditure	Surplus /deficit	Transfers	Closing funds
BH: pastoral fund	3,747	120	5,390	- 5,270		(1,523)
BH: hardship fund	1,172	13,025	4,436	8,589		9,761
Combined "hardship" fund	4,919	13,145	9,826	3,319	-	8,238
BH: Christian workers fund	-	89,100	49,578	39,522		39,522
HC: families, admin & mission	824	23,178	24,002	- 824	6,435	6,435
Goldstone: mission and ministry	120	719	250	469	-	589
JHMT	-	70,202	25,397	44,805	-	44,805
BH: Other small funds	512	-	-	-	712	1,224
	5,350	196,345	109,053	87,291	7,147	99,789

Trustee notes

- Trustee benefits – including remuneration, and expenses reimbursed and incurred.
- Trustee donations – if restricted or material to donations overall

Related parties

- Extended definition (disclose names)
  - Charities Act 2011
  - De facto trustees
- Disclose why the benefits were paid to trustees
- Need to make statement if no related party transactions
- Only refer to market rates if it can be substantiated
- Refer also to CC guidance on conflicts of interest

Related parties

“Related parties are those parties with whom the charity has a relationship that might inhibit it from objectively pursuing its own separate interests. This will include charity trustees, those connected with a charity trustee by, for example, a close family relationship, and any other party that can exert significant influence over the operations of the charity”

CC R&P Guidance

8 Related party transactions during the reporting period were as follows:

Name	2022	2021	Role	Description
Gillian Carr	£2,583	£1,640	Trustee of Books Alive, a local Christian bookshop	During the year we had arms length transactions with Books Alive.
Gillian Carr	£4,200	£4,200	PCC member	Rent paid for staff accommodation.
Incumbent (Phil Moon or Nick Tucker)	£2,583	£1,640	Trustee of Books Alive, a local Christian bookshop	During the year we had arms length transactions with Books Alive.
Don Bawtree	£11,400	£11,400	PCC member	Rent paid to related party for staff accommodation.
Don Bawtree and John Puttock	£129,915	£53,741	Trustee of BH Christian Workers Trust	Payment towards staff costs.
John Puttock	£2,583	0	Trustee of Books Alive, a local Christian bookshop	During the year we had arms length transactions with Books Alive.
Phil Moon	£4,448	£53,741	Trustee of BH Christian Workers Trust	Payment towards staff costs.
Nick Tucker	£89,964	0	Trustee of BH Christian Workers Trust	Payment towards staff costs.

There are other trustees (i.e. PCC members) in common with other charities. The circumstances are such that related party transactions are immaterial and further disclosure is not required.

Conflicts of Interest

“Conflicts of interest (and conflicts of loyalty) are more common than people often think. If one of your fellow trustees appears to have a conflict of interest you should say so; you are not calling their integrity into question by doing so. In deciding how to deal with a conflict of interest, trustees should be mindful of what feels right, and also how others might view the trustees’ actions. Where conflicts of interest have not been identified or properly dealt with, it can have negative impacts on both the charity and individual trustees including financial cost and reputational damage. Because the trustees have acted in breach of their duty, decisions may be called into question or legally challenged. The Commission may have to take regulatory action to protect the charity from further harm or to deal with any misconduct or mismanagement by the trustees.” CC3

Income…when does it appear?

- Voluntary income
  - When under the charity's control
- Legacies
  - When receivable
- Grants and contracts
  - A grant may be a gift – treat like voluntary income
  - A grant may really be a contract
- Contracts – bring in income as you earn it
- Intangibles
  - Treat as income
  - Except volunteer time.

FINANCE 2

Tax

VAT

Annual Report:

Reserves

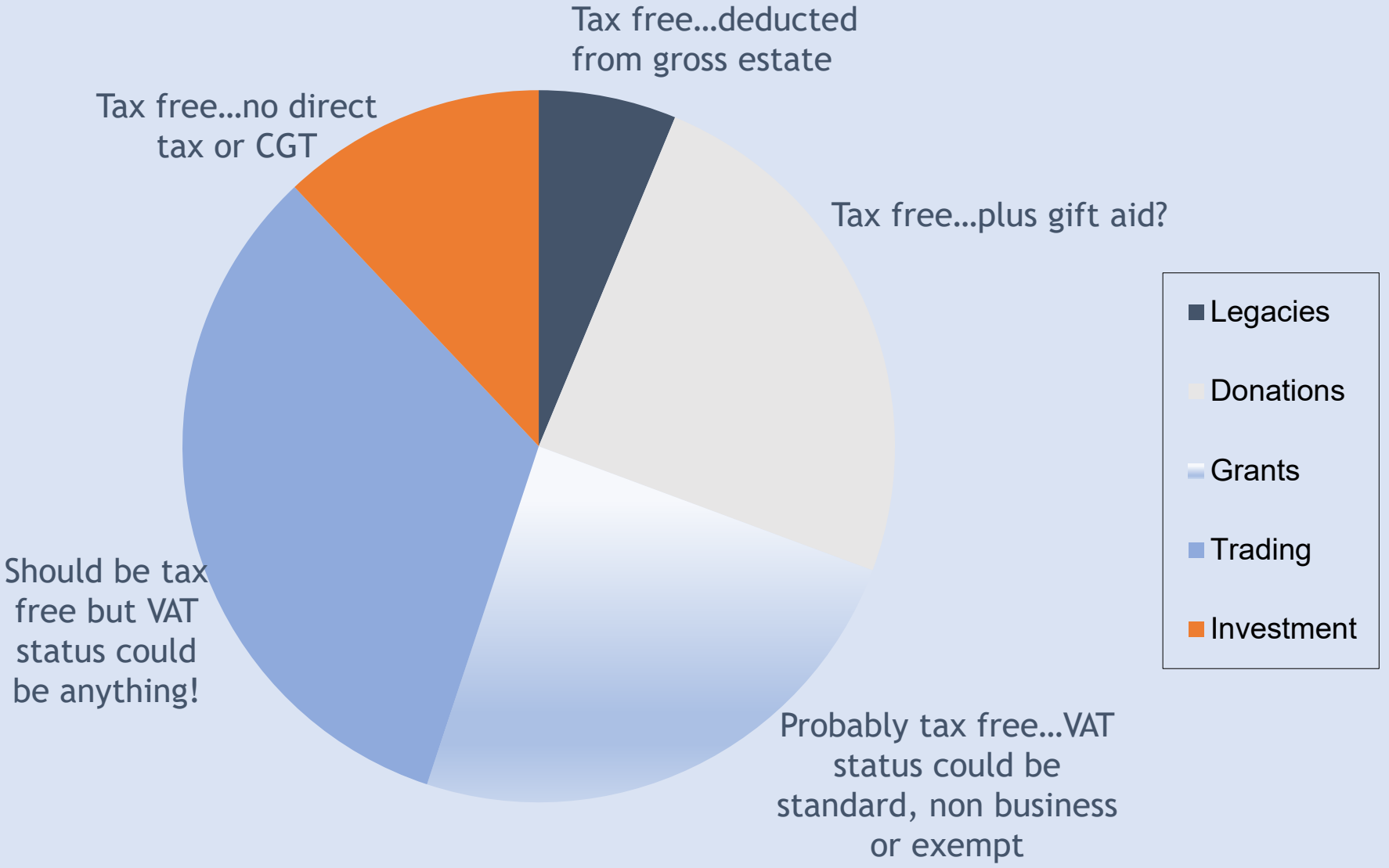
Impact

Risk and fraud

Tax in charities

Gift aid	*VAT*	*Business rates*	*Corporation tax*
Social investment tax relief	*Employment taxes*	*Creative industry reliefs*	*Income tax*
Inheritance tax	*Community infrastructure levy*	*Chargeable gains*	*Charitable expenditure*

Tax on income

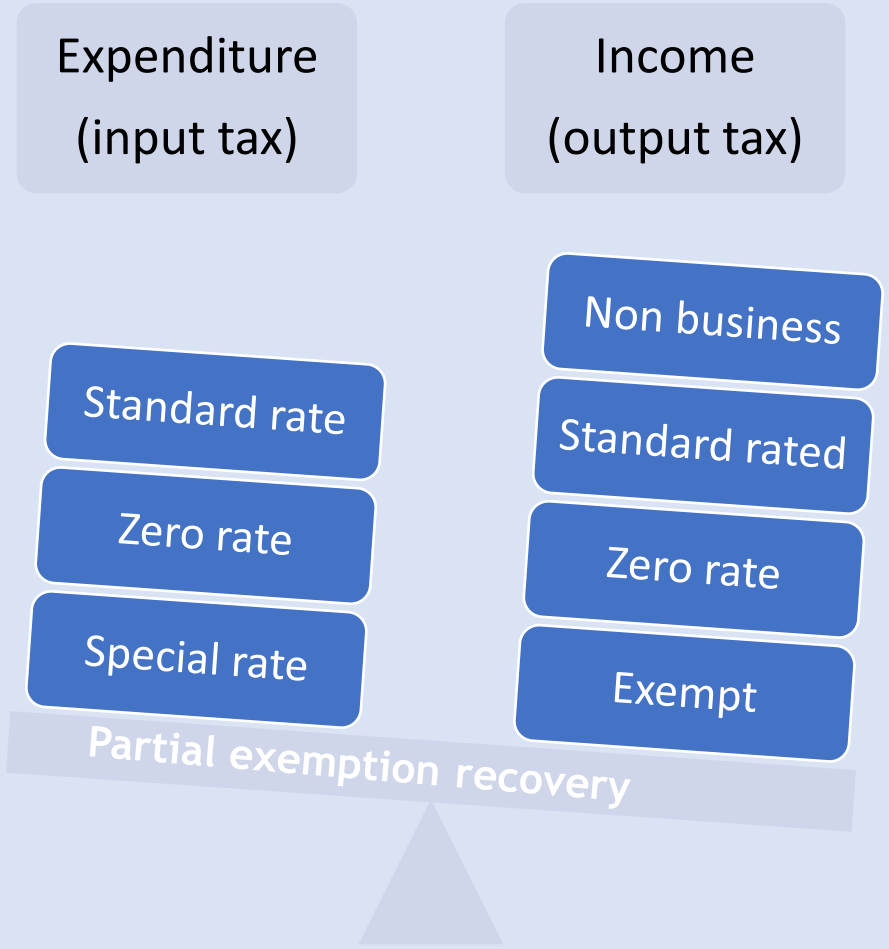


How gift aid works



At basic rate: donation = £80, tax = £20, charity gets £100 – 25% of the gift

VAT and charities



Annual Report Requirements

- Reference and administrative details of the charity, its trustees, and advisers
- Structure, governance and management, public benefit statement
- Objectives and activities, meeting the public benefit requirement
- Achievements and performance (if registered with OSCR also must reference activities in Scotland)
- Financial review
- Plans for future periods.

Financial aspects

PUBLIC BENEFIT

TRUSTEE TRAINING, INDUCTION AND REMUNERATION

FUNDRAISING

RESERVES

RISK

Public Benefit

For a purpose to be charitable:

a. it must be beneficial, and any detriment or harm that results from the purpose must not outweigh the benefit (‘the benefit aspect’); and
b. it must benefit the public in general, or a sufficient section of the public (‘the public aspect’).

Public benefit = Impact?







Reserves

- Reserve policy should cover:
  - Planned level of reserves
  - Actual level of reserves
  - Addressing the difference

BH maintains the balance of reserves in line with the policy established by the PCC, and reviewed during 2021. The PCC considered that a reasonable level of free reserve is between £50,000 and £100,000 although agreed that it should be nearer the higher end of this range. This is held to enable us to respond to unexpected downturns, or take strategic opportunities as they arise. Any funds in excess of this range are used first to fund capital projects and secondly to support the wider mission of the church.

As shown in the accounts, the free reserve, shown as the BH General Fund, at the year-end was £80,000.

- Basis of a policy:
  - Working capital requirement
  - Managing risk
  - Seizing opportunities
  - “a realistic assessment of future needs

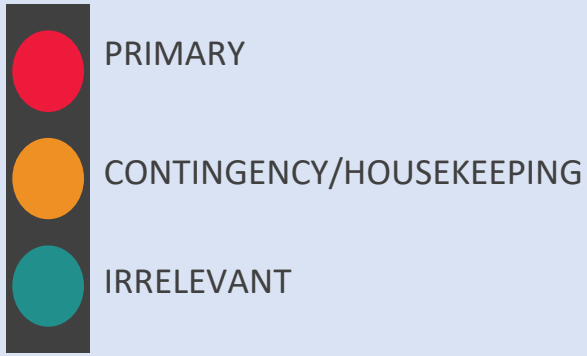
Risk management

- The trustees' annual report should include:

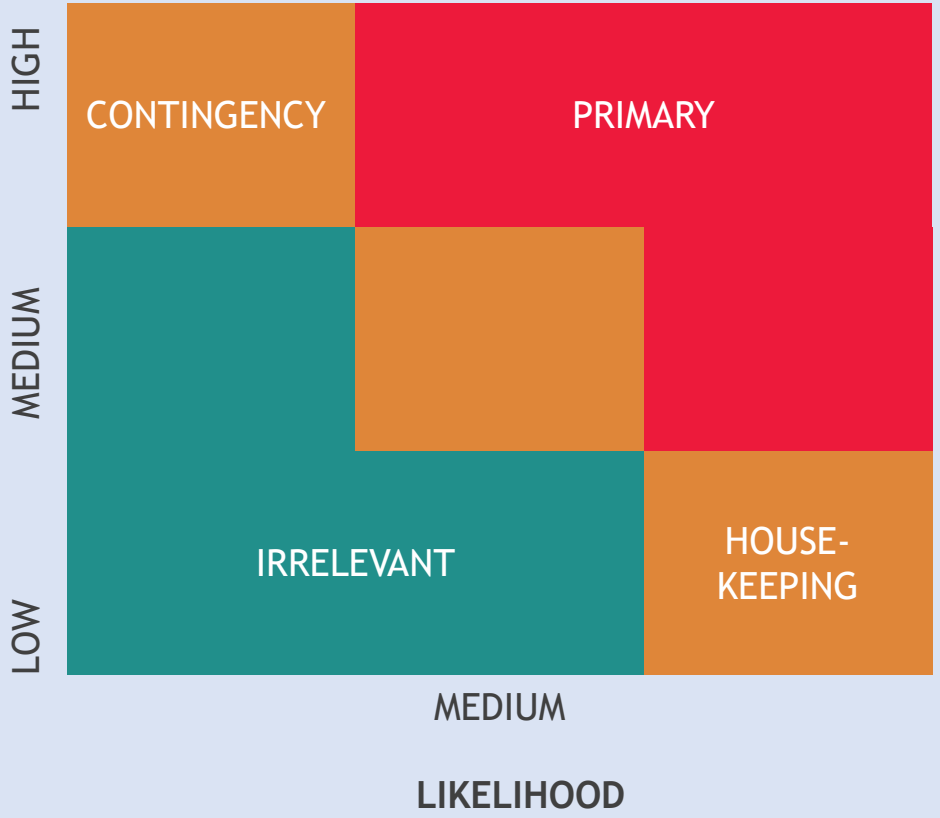
  'A statement confirming that the major risks to which the charity is exposed, as identified by the trustees, have been reviewed and systems have been established to manage those risks'



Impact analysis (gross risks)



SIGNIFICANCE
(FINANCIAL & IMAGE)

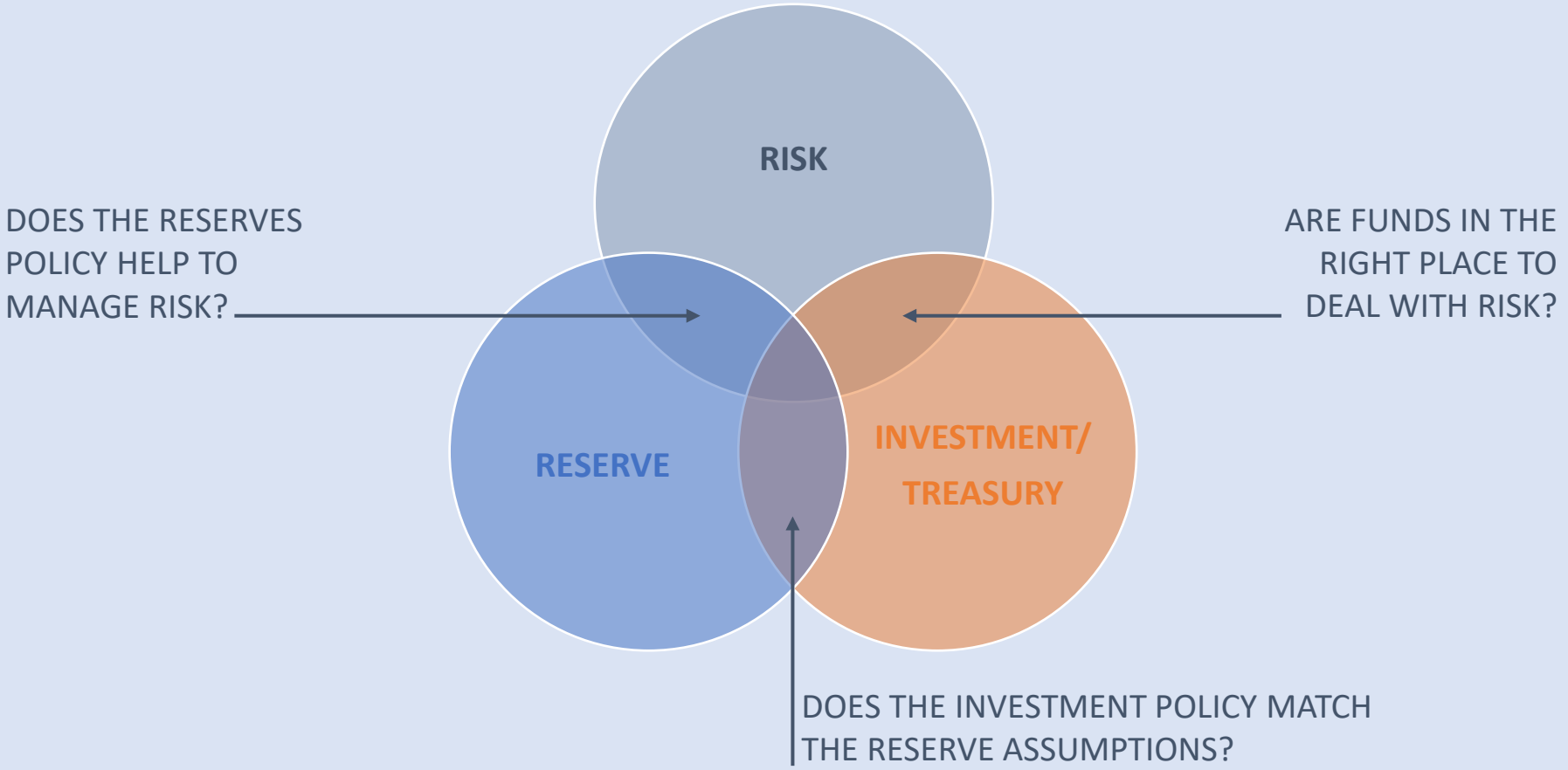


Fraud compliance toolkit examples

Examples of the types of fraud and financial crime that charities may be susceptible to include:

- Banking system theft and fraud
- Misuse of the charity's bank account
- Fraudulent credit or debit card transactions or charges
- Intercepting postal donations and cheques
- Failing to pass on money from public charitable collections
- Stealing or 'skimming-off' money from cash collections
- Fake fundraising events and requests for donations
- Theft from charity shops and trading activities
- Using charity's databases or inventories for personal profit or unauthorised private commercial use
- Fake grant applications
- The creation of false invoices or purchase orders
- The creation of false employees or inflated expenses, overtime or other claims
- Providing services to beneficiaries who do not exist, and other forms of identity fraud.

Policy interaction



Thank you

Don Bawtree

don.bawtree@ntlworld.com