

Basic Information

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| Title | Financial Reporting in the Methodist Connexion (Annual Accounts) |
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| Status of Paper | Final |
| Resolution/s | 61/ 1. The Conference adopts the revised financial reporting processes. 61/2. The Conference adopts the proposal to report financial accounts via treasurers. |

Summary of Content

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| Subject and Aims | Financial reporting within the Connexion. |
| | To reduce bureaucracy and bring processes up to date. |
| Main Points | <ul style="list-style-type: none"> • To shorten the reporting line while remaining compliant with the Excepting Regulations. • To report via treasurers rather than property officers. |
| Background Context and Relevant Documents (with function) | <p>The Church has an Accountancy Support Group to offer guidance to local churches on financial reporting. This paper outlines some changes it now proposes which the Methodist Council has endorsed.</p> <p>The Charity Commission has confirmed that the proposed changes satisfy the relevant statutory instruments.</p> |
| Impact | No changes to Standing Orders. The new proposed processes will increase relevance and efficiency of reporting lines and introduce shortened and simplified reporting processes for all churches, circuits and districts etc (some 6,500 Methodist charities). |
| Risk | None identified. |

Background

1. The Accountancy Support Group annually reviews the existing guidance available to local churches and circuits and revises the Standard Forms of Accounts and integrated guidance, as appropriate.
2. In light of recent Charities Acts (for Scotland in 2005, and England and Wales in 2006) over 500 Methodist churches, circuits and districts are now registered charities which are required to report their annual accounts to the appropriate charity regulator.
3. This raises the question:

“When a Methodist charity is registered what internal financial reporting is necessary?”

4. That has led in turn to the question of whether financial reporting procedures for excepted charities should also be reviewed.

The case for change – present arrangements

5. At present, a local Church sends its annual accounts and its reserves policy to the Circuit by 31 January following the year end. The accounts are merely “received” by the Circuit Meeting but the Circuit has no specific responsibility to check the finances of a local Church; they have already been independently examined or audited. The Circuit then forwards the accounts to the District, which, in turn, sends them to the Resourcing Mission Office where they are held in case the Charity Commission asks to see them. This rarely occurs (there has only been one such occasion over many years).
6. The Circuit’s and the District’s annual accounts are also submitted ‘up the line’ in this way.
7. In following this procedure Methodist trustees are complying with the requirements of the Excepting Regulations Statutory Instrument 1963 No 2074 (now 2007 No 2655) which states:-
8. The Charities (Exception from Registration and Accounts) Regulations 1963
3(1) A charity to which this Regulation applies is hereby excepted from the duty to be registered under Section 4(2) of the Act, and it shall be an excepted charity for the purposes of Section 8(1) thereof.
9. It goes on to say:
3(3) This Regulation applies to a Charity wholly or mainly concerned with the advancement of religion, being a charity –
(a) In respect of which accounts are sent annually to the Methodist Conference, a Methodist Synod or any connexional or other committee or department appointed or established by the Methodist Conference.
10. Under present arrangements by completing annual accounts (in most cases using the Standard Form of Accounts) and submitting them to the Connexion via Circuit and District, Methodist charities comply with the Statutory Instrument.
11. Ways can be found to streamline the present process and still comply by reducing the bureaucracy of the present complex reporting process, as follows:-
 - i. All local Churches to submit their annual accounts to the Circuit Treasurer (only)
 - ii. All Circuits to submit their accounts to the District Treasurer (only)
 - iii. All Districts to submit their accounts to the designated Connexional Office (to be determined).

12. These reporting requirements should apply to registered and excepted charities as they are relatively straightforward and far less onerous than the present arrangements. While there is no overriding Connexional need for registered charities to report in this way it can be helpful to the Circuit Treasurer to have detailed information about each local Church's finances, and the District Treasurer to see all Circuit accounts to assist in mission policy decision-making and for grant-making purposes. In a rapidly changing Connexion such information is increasingly relevant.
13. Simple forms for Circuits and Districts will be developed to record and report all relevant information.
14. The charity regulator and The Office of the Third Sector have confirmed that these proposals are compliant with the statutory instrument.
15. The Law and Polity Committee has approved the proposals.
16. A further proposal is also being made by the Accountancy Support Group.
17. For many years, financial information has been reported via property officers. This is an historic arrangement whereby property and finance have often gone hand in hand within the Connexion structures.
18. It would now be appropriate to revise this process so that for the annual accounts in respect of 2009–10, and in future years, these reports should be made via treasurers rather than property officers.
19. The Charity Commission has agreed that the proposed simplification of financial reporting does conform to the relevant statutory instruments.

*****RESOLUTIONS**

- 61/1. The Conference adopted the revised financial reporting processes.**
- 61/2. The Conference adopted the proposal to report financial accounts via treasurers.**