

## Financial Reporting in the Methodist Connexion (Annual Accounts)

### Basic Information

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<b>Status of Paper</b>	Final
<b>Action Required</b>	Decision on Resolutions 1 and 2
<b>Draft Resolution</b>	<ol style="list-style-type: none"> <li>1. The Council supports the revised financial reporting processes, subject to confirmation from the regulator that they are compliant with the statutory instrument, and that the recommendations be presented to the 2010 Conference.</li> <li>2. The Council supports the proposed change to report financial accounts via treasurers, and ask that the recommendation be presented to this year's Conference.</li> </ol>
<b>Alternative Options to Consider, if Any</b>	N/a

### Summary of Content

<b>Subject and Aims</b>	Financial reporting within the Connexion. To reduce bureaucracy and bring processes up to date.
<b>Main Points</b>	<ul style="list-style-type: none"> <li>• To shorten the reporting line while remaining compliant with the Excepting Regulations.</li> <li>• To report via treasurers rather than property officers.</li> </ul>
<b>Background Context and Relevant Documents (with function)</b>	The former Connexional Property Committee appointed an Accountancy Support Group to offer guidance to local churches on financial reporting. These are its recommendations in the context of recent changes. Enclosure - Statutory Instrument 1963 no 2074
<b>Consultations</b>	Regular, ongoing correspondence and forums for treasurers at all levels.

### Summary of Impact

<b>Standing Orders</b>	No changes to Standing Orders.
<b>Faith and Order</b>	None
<b>Financial</b>	See <b>Wider Connexional</b> below
<b>Personnel</b>	None
<b>Legal</b>	Must be compliant with Excepting Regulations
<b>Wider Connexional</b>	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)
<b>External (e.g. ecumenical)</b>	None
<b>Risk</b>	None identified

## Financial Reporting in the Methodist Connexion (Annual Accounts)

### 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 five hundred Methodist churches, circuits and districts are now registered charities which are now 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 led us to consider whether financial reporting 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 - we recall only 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. We believe we can 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. We feel that 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 we see such information as being increasingly relevant.

13. We intend to develop some simple forms for Circuits and Districts to record and report all relevant information.

14. If these proposals find support they can be put to the Conference provided that the charity regulator and The Office of the Third Sector are also able to confirm they are compliant with the statutory instrument.

15. The Law and Polity Committee has seen what is proposed and this does appear to be consistent with the wording of the relevant instrument. Confirmation is now awaited from the external bodies.

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. We now believe it would 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. **Resolution 1** The Council supports the revised financial reporting processes, subject to confirmation from the regulator that they are compliant with the statutory instrument, and that the recommendations be presented to the 2010 Conference.

20. **Resolution 2** The Council supports the proposed change to report financial accounts via treasurers, and ask that the recommendation be presented to this year's Conference.

STATUTORY INSTRUMENTS

1963 No. 2074

CHARITIES

The Charities (Exception from Registration and Accounts)  
Regulations 1963

*Made*  
*Laid before Parliament*  
*Coming into force*

*19<sup>th</sup> December 1963*  
*30<sup>th</sup> December 1963*  
*1<sup>st</sup> January 1964*

In pursuance of sections 4(4), 8(1), 43 and 45(6) of the Charities Act 1960(a), I hereby make the following Regulations:-

*General funds of religious bodies*

1. Parochial church councils and church trustees and other bodies established wholly or mainly to make provision for public religious worship (including Sunday School worship and the like), whether or not of the Christian religion, are hereby excepted from the duty to be registered under section 4(2) of the Act in respect of any property (other than land) held and applicable for their general purposes:

Provided that this Regulation shall not apply in any case where the income from such property amounts to more than one hundred pounds a year.

*Trusts conditional upon the upkeep of graves*

2 (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.

(2) This Regulation shall apply to a charity for the advancement of religion where the application of its income in a particular manner is conditional upon a grave, tomb or personal monument being kept in good order:

Provided that this Regulation shall not apply in any case where the income of the charity amounts to more than fifty pounds a year.

*Charities otherwise notified to the Commissioners*

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.

(2) The exceptions provided by this Regulation in relation to a charity are conditional upon the Charity Commissioners being notified, from time to time as the case may require, of the following:-

- (a) the name of the charity;
- (b) a brief summary of its purposes and its area of benefit;
- (c) the postal address of any land in England and Wales occupied for its purposes; and
- (d) brief particulars of any other property of the charity or, alternatively, the approximate amount of its annual income from property, indicating in either case whether the property or income forms part of or, as the case may be, is derived from a permanent endowment.

(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; or  
(b) of which a body named in the Schedule to these Regulations is a charity trustee or custodian trustee.

*Church of England charities*

4 Without prejudice to Regulations 1 and 2 of these Regulations, a charity connected with the Church of England and wholly or mainly concerned with the advancement of religion is hereby excepted until 1<sup>st</sup> January 1965 from the duty to be registered under section 4(2) of the Act.

*Interpretation*

5 (1) In these Regulations the expression -  
“advancement of religion” includes the relief of ministers and former ministers of religion and their families;  
“the Act” means the Charities Act 1960.

(2) The Interpretation Act 1889(a) shall apply for the interpretation of these Regulations as it applies for the interpretation of an Act of Parliament.

*Revocations*

6 The Charities (Exception of Religious Charities from Registration) Regulations 1961(b) and the Charities (Exception of Religious Charities from Registration) Regulations 1962(c) are hereby revoked.

*Citation and commencement*

7 These Rules may be Cited as the Charities (Exception from Registration and Accounts) Regulations 1963 and shall come into operation on 1<sup>st</sup> January 1964.

Henry Brooke  
One of Her Majesty's Principal  
Secretaries of State

Home Office,  
Whitehall  
19<sup>th</sup> December 1963.

Regulation 3(3)

SCHEDULE

PART I

BAPTIST TRUST CORPORATIONS

The Association of Strict Baptist Churches Limited  
The Baptist Union Corporation Limited  
The Bristol and District Association of Baptist Churches(Incorporated)  
The Cardiff and District Baptist Board(Incorporated)  
The D. F and M. Welsh Baptist Corporation  
The Devon Baptist Association Corporation Limited  
The East Midlands Association of Strict Baptist Churches Limited  
The East Midlands Baptist Association (Incorporated)  
The Lancashire and Cheshire Association of Baptist Churches(Incorporated)  
The Leicester Association of Baptist and Union Churches (Incorporated)  
The London Baptist Property Board Limited  
The Strict and Particular Baptist Trust Corporation  
The Suffolk and Norfolk Association of Strict Baptist Churches Limited  
The Welsh Baptist Union Corporation Limited  
The West Midland Baptist (Trust) Association (Incorporated)  
The Wilts and East Somerset Baptist Association (Incorporated)  
The Yorkshire Association of Baptist Churches and Home Mission or Itinerant Society (Incorporated)

PART II  
CONGREGATIONAL TRUST CORPORATIONS

The Congregational Union of England and Wales (Incorporated)  
The Berks South Oxon and South Bucks Congregational Union (Incorporated)  
The Cambridgeshire and Huntingdonshire Congregational Union (Incorporated)  
The Cheshire Congregational Union (Incorporated)  
The Devon Congregational Union (Incorporated)  
The Dorset Congregational Union (Incorporated)  
The Durham and Northumberland Congregational Union (Incorporated)  
The Essex Incorporated Congregational Union  
The Congregational Union of Gloucestershire and Herefordshire (Incorporated)  
The Hampshire Congregational Union (Incorporated)  
The Hertfordshire Congregational Union (Incorporated)  
The Kent Congregational Union (Incorporated)  
The Lancashire Congregational Union (Incorporated)  
The Leicestershire and Rutland Congregational Union (Incorporated)  
The Lincolnshire Congregational Union (Incorporated)  
The London Congregational Union (Incorporated)  
The Monmouthshire Congregational Union (Incorporated)  
The Norfolk Congregational Union (Incorporated)  
The Northamptonshire Congregational Union (Incorporated)  
The Nottinghamshire Congregational Union (Incorporated)  
The Shropshire Congregational Union (Incorporated)  
The Somerset Congregational Union (Incorporated)  
The Staffordshire Congregational Union (Incorporated)  
The Suffolk Congregational Union (Incorporated)  
The Surrey Congregational Union (Incorporated)  
The Sussex Congregational Union (Incorporated)  
The Warwickshire Congregational Union (Incorporated)  
The Wilts and East Somerset Congregational Union (Incorporated)  
The Yorkshire Congregational Union and Home Missionary Society (Incorporated)  
The English Congregational Union of North Wales (Incorporated)  
The South Wales English Congregational Union (Incorporated)  
The Union of Welsh Independents (Incorporated)

PART III  
OTHER TRUST CORPORATIONS

Friends Trusts Limited  
The British and Foreign Unitarian Association Incorporated  
The Fellowship of Independent Evangelical Churches  
The Presbyterian Church of England Trust.  
The Properties Board of the Calvinistic Methodist Church of Wales or Presbyterian Church of Wales

EXPLANATORY NOTE

(This Note is not part of the Regulations, but is intended to indicate their general purport.)

These Regulations except certain religious charities from registration under the Charities Act 1960 and also, in the case of those to which Regulations 2 and 3 apply, from the duty under section 8(1) of that Act to send to the Charity Commissioners annual accounts in respect of any permanent endowment.