ACAT NEWS - HANDBOOK

Having revised seven chapters, with three further revised chapters in the pipeline, the trustees considered the rising costs of the present format of the Handbook and have decided to meet this challenge by printing the whole Handbook in book form, thus dispensing with the current loose leaf format. It is intended therefore to adopt this new format.

Chapter updates which take place from time to time will continue to be published in the Members’ Area of our Website, and members will be alerted to those updates through the Newsletter. A whole new book will be printed on a regular basis: this is less expensive than updating chapters piecemeal. It is intended to issue the new Book before the end of the year.

ACCRUALS ACCOUNTING TEMPLATES

The Charity Commission has now published on its website a set of templates to help non-company charities, up to £500,000 gross income, with their trustees’ annual reports and accruals accounts in accordance with Charities SORP under FRS 102 and also with the independent examiner’s report.

Charity accounting templates: accruals accounts (CC17) - SORP FRS 102 is the Accounts pack, but the SOFA template is drafted for charities using the activity basis for reporting income and expenditure. As most churches with gross income up to £500,000 will be using one of the “natural” SoFA categories of income and expenditure, the Commission’s template will not apply so far as the SoFA is concerned. The accruals accounts template, which runs to 57 pages as a PDF, but is also partially available in Excel, can be used as a “form” for completion and submission to the Charity Commission, but is not really suitable for publication as the “Church Accounts”. Its use is likely to be helpful largely as a way of identifying possible additional useful information, i.e., to amplify the disclosure requirements of
the SORP as identified in the ACAT Handbook and in the SORP Checklist on our website. Many of the accounts notes in the Commission’s template are cross referenced to the applicable SORP paragraphs, but it should be noted that this does not include the SORP’s options for the required disclosure of comparative figures for the prior year in respect of all the figures shown on the face of the SoFA and the Balance Sheet.

The Trustees’ Annual Report template (SORP FRS 102) is again not really suitable for publication but does indicate all the matters to be included in the annual report and identifies the SORP paragraphs that apply.

The Independent Examiner’s Report template (SORP FRS 102) could be adapted as the document for publication, but is actually less helpful than the various example reports (4.1, 4.3, 4.4 and 4.5) set out in Appendix 4 of CC32 (June 2015), the Commission’s “Independent Examination of Charity Accounts: Examiners’ Guide”.

GIFT AID and GASDS

HMRC has published feedback re errors in claims, which included: Authorised official/agent/nominee submitting the claim is wrong:
If churches change personnel or appoint a new agent/nominee they must complete a change of details form (ChV1) to let HMRC know.
Errors completing paper claim forms:
• Charities often put lines through boxes or ‘N/A’: the guidance notes advise that these boxes should be left blank.
• Additional correspondence is sometimes included: guidance notes ask charities not to include additional correspondence.
• The ‘Aggregated donation’ box is ticked for regular donors: This box should not be ticked for regular donors – just complete the name, address, date and amount of donation as per the guidance notes
• Missing information: The forms are first scanned, and forms with errors are extracted and sent to the Outreach team – which can cause a delay in repayments.

Specific dos and don’ts for GASDS claims is:
• Don’t enter an amount over the GASDS limit of £5,000 (for donations received before 6 April 2016) or £8,000 (for donations received on 6 April 2016 onwards).
• Do ensure that donations are separated into tax years: GASDS refunds are claimed by tax year, not on the church accounting period.
• Do claim under GASDS within two
years; If it is more than two years since the donation, the GASDS claim will be out of date.
• *Don’t* change the layout of the schedule or change the name of the worksheet.
• *Do* save the schedule as a .ods file not a Microsoft Excel .xlsx file: for example. Gift Aid Jan 2014. ods.
• *Do* leave blank any section that isn’t applicable: don’t enter N/A or Nil.
• *Don’t* include blank spaces or other characters at the start or end of boxes.
• *Don’t* leave a blank row between donations.
• *Do* stay within the maximum of 500 rows of donations.
• *Do* enter values in pounds sterling including pence.

**TAKING LEGAL ACTION**

The Charity Commission has published new guidance *Charities and litigation – a guide for trustees (CC38)*. Since legal action can present significant risks, the Commission expects trustees to be able to show that they have applied the principles of the Guidance where their charity is involved in legal action.

Trustees have a general duty to act in the best interests of their charity, to protect, and where necessary, to recover, assets belonging to the charity. The decision whether or not to initiate or defend a legal action must be balanced against the risks and consequences that such legal action could bring, and should be made in accordance with the principles set out in the Commission’s existing guidance on decision making, *It’s your decision: charity trustees and decision making (CC27)*.

Trustees must identify and address the potential risks and impact of litigation on their charity and its beneficiaries. The guidance highlights the need for trustees to take and consider legal advice, to assess the economic prospects of success or failure and the impact on the charity, and consider whether their intended actions are proportionate in all the circumstances and in the best interests of the charity.

The guidance also indicates when trustees need to protect themselves against the adverse risk of costs and outlines alternative ways to resolve disputes before legal action, such as mediation and negotiation. The Commission expects trustees to consider legal action only after they have explored and ruled out alternatives for resolving the dispute.
SOCIAL INVESTMENT GUIDANCE

The Charity Commission has published interim Guidance for trustees about the new social investment power introduced as the first phase of the Charities (Protection and Social Investment) Act 2016 came into force; it supplements existing guidance Charities and investment matters (CC14).

Social investment has now been defined in legislation, as a ‘relevant act’ that is carried out ‘with a view to both directly furthering the charity’s purposes and achieving a financial return for the charity’. The guidance explores this definition to provide further advice on what is and is not a social investment.

The guidance makes clear that the usual trustee duties apply to any decision regarding social investments. However, the legislation places specific duties on trustees who are considering making a social investment to:
1. consider whether advice ought to be obtained
2. obtain and consider such advice
3. satisfy themselves that it is in the interests of the charity to make the social investment.

Trustees must also review their charity’s social investments from time to time.

SCOTLAND – WATER AND SEWERAGE CHARGES

Scottish Government Water Charges and Sewerage Exemption Scheme is a helpful briefing note which sets out answers to some of the questions raised re the Scottish Government scheme to assist charities with the payment of water and sewerage charges (introduced in 2015); full details are on the Scottish Government website; certain eligibility criteria apply. Under the scheme, which is subject to certain conditions:
• Charities with an annual income below £200,000 no longer pay charges.
• Charities with an annual income between £200,000 and £300,000 pay a reduced charge.

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, and membership applications and information, should be directed to:

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