

BUC GUIDELINES

F10 Annual Reports (05/2010)

1 REQUIREMENT TO PREPARE ANNUAL REPORTS

Since the 1993 Charities Act was enacted, Registered Charities have been required to prepare Annual Reports in a prescribed format. The format is set out in the Statement of Recommended Practice (SORP) for Accounting, and has been revised each time that the SORP has been revised. The latest edition is SORP 2005.

However, Section 46 (4)(a) of the Charities Act 1993 states that Charities which are excepted from registration are not required to comply with Section 45 which sets out the regulations concerning Annual Reports. Since most Baptist churches are excepted charities, they do not currently need to prepare Annual Reports.

2 CHANGES TO THE REQUIREMENTS

The Charities Act 2006 provides that the category of Excepted Charity will be ended, and all charities which are currently excepted will be required to register. Those charities with income in excess of £100,000 are now required to register but the threshold for registration will gradually be reduced until all the excepted charities have registered. There is no prescribed timetable for the reduction of this threshold, but there are indications that it will not be lowered until 2013.

Churches whose income already exceeds £100,000 per annum should not only be preparing their accounts in the appropriate format (see leaflet F6 and/or F7 Charity Accounts), but should also be preparing an Annual Report in the statutory format. Registered charities will need to submit both documents to the Charity Commission who will reject documents that are not in the required form. However churches which are not required to have a statutory audit, (currently those with income below £500,000 and assets of less than £3.26 million), are able to take advantage of significant reductions in the amount of information that must be disclosed.

Many more Baptist churches will now need to prepare an annual report under these new arrangements.

3 OVERRIDING FEATURES OF THE ANNUAL REPORT

There are three main functions of the Annual Report; first, to explain to the reader the statutory details relating to the charity, second, to set out its organisational structure, and third to report how and why it operates in the way it does. Whether or not the church is required by the legislation to prepare an Annual Report, these are matters which the Trustees already need to know and understand, and are helpful in the management of the charity.

The Annual Report is not a publicity leaflet or a brochure, and it is not a month by month account of all the church's activities, but it is a formal statement about the church's activities which is available for any member of the public to read. It should not be so dull that the church is not perceived to be attractive, nor just a stream of heart warming stories. The report will certainly be read by any organisation from which the church might seek grant funding, and may well be read by members of the local community and potential new church members. It is therefore worth trying to ensure that the report creates a good impression of the church in the mind of the reader.

The SORP regulations contain a list of requirements for an Annual Report. This document uses those headings to describe what should be included, following the order set out in the regulations. If these headings are used, then nothing essential should be missed, and the document will be easier to check. Both the Independent Examiner (or the Auditor) and the Charity Commission will need to review the report as part of their work.

Every charity is now required to set out in its Annual Report how it provides a benefit to the public which is an overriding requirement of being a charity. The BUC Guideline C30 provides fuller details of this Public Benefit requirement, and the concept of Public Benefit should be borne in mind in the preparation of sections 4.3 Objectives and Activities, and 4.4 Achievements and Performance. Further guidance is available from the Charity Commission

Charities and Public Benefit: <http://www.charity-commission.gov.uk/Library/guidance/publicbenefitttext.pdf>

The Advancement of Religion for the Public Benefit:

<http://www.charity-commission.gov.uk/Library/guidance/pbreligiontext.pdf>

Sample Annual Report for a Church: <http://www.charity-commission.gov.uk/library/arstempb.pdf>

The Annual Report should include a statement that the church has read the Charity Commission guidance and taken it into account.

3.1 STATUTORY DETAILS

This is purely factual information, and more detail is given in 4.1 of this document.

3.2 THE ORGANISATIONAL STRUCTURE

SORP 2005 states "the report should provide the reader with an understanding of how the charity is constituted, its organisational structure and how its Managing Trustees are appointed and trained, and assist the reader to understand better how the charity's decision making processes operate. The level of detail provided in the report is likely to be dependent on the size and complexity of the charity and be proportionate to the needs of the user of the report." Further details are given in 4.2 below and in the attached sample report.

3.2.1 HOW THE CHARITY IS CONSTITUTED

Most Churches will have a Constitution. When charity registration has been achieved, the Approved Governing Document will have been agreed with the Charity Commission as part of the process. This is a constitution relating to the church as a group of people and an organisation, rather than the church as a building. The Church's annual report should be about the local church and its activities and leadership, although the assets, like the church premises, should also be referred to briefly, including where appropriate reference to the property trusts and the Custodian Trustees.

3.2.2 ITS ORGANISATIONAL STRUCTURE

Unless the church has been set up as a limited company, this will state that the church is an unincorporated association with Managing Trustees appointed by a meeting of members. Since Trustees will normally be drawn from the membership, the need for training is reduced, but they should receive appropriate documentation (constitution, accounts and minutes of say two previous meetings), and be made aware of the legal responsibilities they are accepting on appointment. The BUC Guidelines leaflet C17 'Help I'm a Managing Trustee' may be helpful to persons newly appointed, and the Charity Commission has guidance on Charity Trustees on their website.

3.2.3 THE CHARITY'S DECISION MAKING PROCESSES

Most churches make decisions either by the church leadership bringing matters to the church meeting for discussion and as appropriate, acceptance, or by raising matters within a church meeting for further discussion and consideration by the church leadership. The processes used need to be described, remembering that in law the trustees are responsible for the decisions made by the church, and have specific fiduciary duties.

3.3 OBJECTIVES AND ACTIVITIES

The SORP Regulations 2005 state "the report should help the reader understand the aims and objectives set by the charity, and the strategies and activities undertaken to achieve them. The report may also, where relevant, explain how the objectives set for the year relate to longer term strategies and objectives set by the charity."

3.3.1 The church's principal charitable purpose is the advancement of the Christian faith, but the way this is achieved will vary from church to church. All will provide a public service of Christian worship, but they will also provide various combinations of youth work, children's work, coffee shops, alpha courses etc etc, and these will need to be set out as the church's activities to achieve its charitable objective. In the leaflet about the preparation of church accounts (F6 or F7 depending on income levels), there are suggestions about how the expenditure is analysed. These aims and objectives should be expressed in similar ways to the analysis of charitable expenditure in the accounts, so that readers can see how much has been spent on each part of the church's activities. Over the course of time the various activities provided by the church will change, and there should be an explanation of how these changes fit into the long term strategy of the church.

4 DETAILED PROVISIONS

This section sets out in much more detail the information that is required. It is taken from the SORP regulations and should enable a church to comply with the statutory requirements.

4.1 STATUTORY DETAILS

The report must state the following reference and administrative detail about the charity.

- 4.1.1 The name of the charity, by which is meant the name on the charity register, if registered. If the charity operates under any other name this should also be disclosed.
- 4.1.2 The charity registration number. Before a charity is registered, it should state that it is excepted from registration under Subsection 5 of section 3 of the Charities Act 1993. It should not quote the charity number of the Baptist Union Corporation or its Association or Association Trust Company. See leaflet C16 Churches and Charity Registration.
- 4.1.3 The address of the principal office of the church, where postal mail should be directed.
- 4.1.4 The names of all the people who have been Managing Trustees of the charity at any time between the first day of the accounts for the year and the date on which those accounts and the annual report are formally approved and signed by the Trustees.
- 4.1.5 Churches with income in excess of £500,000 are required to state the name of senior staff members, and any professional advisers such as bankers, solicitors, accountants or independent examiner. The disclosure of this extra information is considered best practice even where it is not a requirement.

4.2 THE ORGANISATIONAL STRUCTURE

The report must state the following matters.

- 4.2.1 The nature of the Governing Document, and how the charity is constituted.
- 4.2.2 The details of any constitutional provisions relating to the appointment of new Trustees.
- 4.2.3 Churches with income in excess of £500,000 have a further list of requirements, but it seems appropriate to take advantage of the limitation of disclosure for small charities. These further requirements include the need to make a statement about the Major Risks identified and managed by the Managing Trustees. While no disclosure is required, it is clearly best practice for the Risk Assessment to be carried out by the Trustees.

4.3 OBJECTIVES AND ACTIVITIES

The report must state the following matters.

- 4.3.1 A summary of the objects of the charity as set out in its governing document.
- 4.3.2 An explanation of the charity's aims including the changes or differences it seeks to make through its activities.
- 4.3.3 An explanation of the charity's main objectives for the year.
- 4.3.4 An explanation of the charity's strategies for achieving its stated objectives.
- 4.3.5 Details of significant activities (including its main programmes, projects, or services provided) that contribute to the achievement of the stated objectives.
- 4.3.6 Churches with income in excess of £500,000 have a further list of requirements, but it seems appropriate to take advantage of the limitation of disclosure for small charities.

4.4 ACHIEVEMENTS AND PERFORMANCE

The report must state the following matters.

- 4.4.1 An assessment of how far the church has succeeded in achieving its charitable objective and thus its Public Benefit requirement, during the year by reviewing its performance against the objectives and activities it set out to achieve. A summary of measures used to assess achievement should be included.
- 4.4.2 Where material fundraising activities are undertaken, details of the performance achieved against fundraising objectives set.
- 4.4.3 Churches with income in excess of £500,000 have a further list of requirements, but it seems appropriate to take advantage of the limitation of disclosure for small charities.

4.5 FINANCIAL REVIEW

The report should contain a review of the financial position of the charity and a statement of the principal financial management policies adopted in the year. The accounting policies must include a reserves policy (see leaflet F9 Charity Reserves), and should give details of any fund that is materially in deficit. The review of the finances must obviously tell the same story as the accompanying accounts!

4.6 FUTURE PLANS

It is good practice to include a short statement of particular plans for the next accounting period, but churches with income below £500,000 are not required to provide this information.

5 CONCLUSION

It will be easy to condemn these Annual Report requirements and treat them as a chore and an unhelpful intrusion into the already difficult task of running the church. However, a good church will know what it is trying to achieve, how it is trying to achieve it, and how successful it has been. These are the things which need to be written down. If the report proves impossible to write, then maybe the Trustees need to spend more time understanding these matters, with the hope that the church will end up more focussed, and more "prepared to give an answer to everyone who asks you to give the reason for the hope that is within you". When the report is properly prepared it will be part of the evidence that "everything should be done in a fitting and orderly way".

Anytown Baptist Church

Statutory Information

Registered Address

101 High Street Anytown

Charity Registration Number 123456

Trustees

The Revd A Trustee (Minister)

Mr B Trustee (Secretary)

Miss C Trustee (Treasurer)

Mr D Trustee

Mrs E Trustee

Mr F Trustee

Miss G Trustee (appointed June 2008)

Mr H Trustee

Mr I Vacancy

Mr J Trustee (resigned June 2008)

Property Trustees

The Baptist Union Corporation Limited

Baptist House

129 Broadway

Didcot

Oxfordshire OX11 8RT

Bankers

HSBC

Anytown

Independent Examiner

Mr I Check

Annual Report for 2009

The trustees present their Annual Report and financial statements for 2008.

Charitable Object

The Charity is governed by an Approved Governing Document which states that the principal purpose of the charity is the advancement of the Christian faith according to the principles of the Baptist denomination to include the advancement of education, community service and such other general charitable purposes in such parts of the United Kingdom and the world as the Church shall determine.

The Church occupies premises which are held by the Baptist Union Corporation Ltd, on Trusts which are entirely compatible with the above object.

Organisational Structure and Decision making processes

Members of the Church are accepted in accordance with the Constitution which requires them to be or to have been publicly baptised on the profession of faith in Jesus Christ, or following other modes of baptism to renew their public profession of faith in Jesus Christ.

The members Meeting normally takes place six times per year and has responsibility for the overall policy of the church. In accordance with the Constitution, the members appoint six Trustees, who together with the Minister, Church Secretary and Treasurer (who are also appointed by the Members), and collectively known as the Diaconate, are responsible for the day to day running of the church's work and witness, and the financial and legal aspects of the charity. All members are encouraged to take an appropriate part in the spiritual and practical tasks involved in the furtherance of the charitable objective.

Relevant matters may be submitted to the Church meeting by the Trustees for guidance, or may be raised by members in Church meeting for further consideration by the Trustees. Though the Constitution permits decisions to be made at Church meetings by appropriate majorities, the Church seeks to work by consensus wherever possible.

Objectives and Activities

In order to achieve the principal objective which is set out above, the Church provides a variety of activities both to its membership and to the community generally. The aim is to show the love of Jesus Christ in both word and deed and to bring people into a closer relationship with Him as living Lord.

Central to the work and witness of the Church is the provision of regular public services of Christian worship. These services take place each Sunday at both 10.30 a.m. and 6.30 p.m.. There are also occasional services at other times which are advertised on the Church Notice Board and the website at anytownbaptistchurch.org.uk. There is a full children's programme during the morning services. The church seeks to be a friendly and welcoming community and anybody is free to attend any of these services.

The Church runs a series of house groups for the growth of faith and discipleship in the homes of some members, and further details of these can be obtained from the Trustees on request, or at the Sunday services of worship.

The Church is responsible for a Toddler Group which meets in the Church premises on Tuesday mornings, with the purpose of assisting the community and demonstrating the love of Jesus Christ. From time to time the Church runs courses in parenting, and courses for people interested in discovering more about Christianity, entitled 'Just Looking' and 'Alpha'.

The Church runs various events for Young People and for people in the Third Age.

The Church operates systems to ensure that all people working with children and vulnerable adults are appropriately vetted with regard to the Criminal Records Bureau.

The church has read the Charity Commission guidance on public benefit, and is satisfied that the activities outlined above clearly demonstrates that the charity is providing a benefit to the public.

Achievements and Performance

The Church does not measure the success of its programmes only in numbers, including financial numbers, but also in less tangible areas like fellowship and encouragement. The Trustees recognise that these are difficult to measure, but believe that 2007 was a positive year in the life of the church, and that it will be able to pursue its mission purposes in 2008 with renewed enthusiasm.

Seven people professed faith in Jesus Christ for the first time during the year, and were baptised and received into church membership. Three other people joined the church by transfer from other churches, having publicly reaffirmed their faith in Jesus Christ. Four church members died during the year, and two moved to another church in a different part of the country. At 31 December 2007 the membership stood at 84 which was higher than a year earlier.

Average attendance at worship services has increased during the year, and similar increases were shown in the children's work and work amongst young people. The Toddler Group continued to be oversubscribed with a waiting list of people wishing to attend regularly. Two 'Just Looking' courses and two 'Alpha' courses were fully subscribed, and three of the people baptised found faith in these events.

The church was encouraged by remarks made by one of the Town Councillors about the positive part the church played in the life of the community of Anytown, since in addition to activities formally linked to the church, members also served as volunteers in other local charities and organisations, including two school governors, three Surestart volunteers and four helpers at local schools.

Financial Review

The Church continues to raise the funds which it needs to carry on its activities from within its own membership and congregation. No wider public appeal was made for funds during the year.

The most significant expense related to the appointment of the Revd A Trustee as Minister of the Church, to lead and co-ordinate the church's activities including the Sunday Services, to provide pastoral care for the congregation and other people, and to equip and encourage the membership in their life, Christian witness and service.

The Church expressed its part in the life of the wider church by making grants to national and international Christian organisations and societies with Christian aims and objectives compatible with the church's own charitable purpose.

The Church is heavily dependent on its membership working as volunteers in all aspects of the church's activities, many of which run with little or no impact on the church's expenditure, but nevertheless contribute substantially to the achievement of the church's objectives.

The financial results for the year, together with a summary of the accounting policies adopted are set out in the accompanying financial statements.

The Trustees have established a Reserves Policy, and are satisfied that they have sufficient reserves at the Balance Sheet date, together with ongoing income anticipated, to enable the church to function effectively in the coming year.

The Trustees have made an assessment of the major risks facing the church, and are satisfied that there are policies in place to minimise these risks.

This is one of a series of *Guidelines* that are offered as a resource for Baptist ministers and churches. They have been prepared by the Baptist Union of Great Britain and are, of necessity, intended only to give very general advice in relation to the topics covered. These guidelines should not be relied upon as a substitute for obtaining specific and more detailed advice in relation to a particular matter.

The staff at the Baptist Union of Great Britain at Baptist House will be very pleased to answer your queries and help in any way possible. It helps us to respond as efficiently as possible to the many churches in trust with us if you write to us and set out your enquiry as simply as possible.

Contact Address:

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