

**GENERAL SYNOD**

**CHURCH ACCOUNTING REGULATIONS 2006**

**Explanatory Memorandum**

**Background**

1. Following the coming into force of s.4 of the Church of England (Miscellaneous Provisions) Measure 2005 (which substituted a new s.8 in the Parochial Church Councils (Powers) Measure 1956) the requirements for accounting by parochial church councils ('PCCs') are to be determined by regulations made under the Church Representation Rules. Under Rule 54(8)(a) those regulations are to be made by the Business Committee, subject to approval by the General Synod. They currently take the form of the Church Accounting Regulations 1997 to 2001 ('the existing regulations'), which represent regulations originally made by the Business Committee in 1997 as amended by further regulations made by it in 2001.
2. The general approach taken by the existing regulations has been reviewed by the Diocesan Accounts group, which has been established by the national Diocesan Secretaries Liaison Group. This group draws its membership from practitioners in dioceses, the National Church Institutions and professional advisers. The group has made a number of proposals concerning the existing regulations, which have been considered and approved by both the Finance Committee of the Archbishops' Council and the Archbishops' Council itself.
3. In essence it is proposed that, instead of expressly duplicating many of the accounting requirements applicable to charities generally under the Charities Act 1993 ('the 1993 Act') and the Statement of Recommended Practice for Accounting by Charities ('the SORP'), the Church should simply require PCCs to comply with the requirements of the 1993 Act and the SORP with regard to:
  - (a) the keeping of accounting records;
  - (b) the preparation and preservation of accounts;
  - (c) the auditing or independent examination of those accounts;

- (d) the transmission of those accounts to the Charity Commission;
  - (e) the preparation of an annual report and its transmission to the Charity Commission; and
  - (f) the preparation of an annual return and its transmission to the Charity Commission.
4. The Church Accounting Regulations 2006 ('the revised regulations') will give effect to this proposal. In doing so they will simplify the somewhat complex provisions of the existing regulations and mean that, in future, there will be no need to amend the revised regulations if and when the accounting requirements under the 1993 Act or the SORP are amended (although the Church will retain the power to amend them if it wishes). And, without in substance changing the general nature of the requirements imposed on PCCs, the revised regulations will emphasize that (subject to the one important qualification referred to in paragraph 10 below) PCCs are subject to the same regulatory requirements as other charities generally. (In that connection it is relevant that PCCs are of course charities for the purposes of the 1993 Act, though currently excepted from the need to register under it. Following changes expected to be introduced by the Charities Bill currently before Parliament, PCCs with incomes of more than £100,000 will be required to register.)
5. Updated guidance on the matters referred to in paragraph 3 above will continue to be provided for PCCs through a revised edition of '*The Charities Act 1993 and the PCC*' (sometimes known as 'the green guide') and another shorter guide due for publication later this year. The revised regulations and an explanation of the changes made by them will be printed in these documents.

### **The revised regulations**

6. The revised regulations have been made by the Business Committee and are now laid before the General Synod for its approval under Rule 54(8)(b) Church Representation Rules.
7. Paragraph 1 of the revised regulations contains definitions.
8. Paragraph 2 provides that the existing regulations will continue to have effect in relation to accounts for periods ending on or before 31<sup>st</sup> December 2005 but, subject to that, are revoked.

9. Paragraph 3 imposes the requirement that PCCs comply with the 1993 Act and the SORP in relation to their accounting responsibilities referred to in paragraph 3 above, subject to the exception specified in Paragraph 4 of the revised regulations.
10. The 1993 Act does not require charities whose annual income is below £10,000 to have their accounts independently examined or audited. However, the existing regulations require PCCs whose annual income is below £10,000 to have their accounts independently examined; and in the interests of accountability and in view of the risk of reputational damage if the accounts of a PCC are not subject to any external verification at all, it is considered desirable to preserve that requirement. Paragraph 4 of the revised regulations accordingly provides for independent examination of a PCC's accounts in cases in which that would not be required under the 1993 Act and for the examination to be conducted, and treated for all purposes, as if it were an examination required by the 1993 Act.
11. Paragraph 5 of the revised regulations provides that they will come into effect on 1st August and will apply to PCC accounts prepared for financial years beginning with the current one, ie that ending 31<sup>st</sup> December 2006.

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