Document re the Financial Implications of Merging Parishes

We have been asked to draw up financial guidelines for instances where schemes are put in place to create new benefices and/or PCCs.

Summary

- No change in financial implications for changes in benefices.
- The members of the PCC are the trustees and have overall responsibility for the charity that is the PCC. Therefore if several PCCs come together to form a new PCC, the members of that new PCC are the trustees of the combined group.
- The new PCC is responsible for producing the combined annual accounts.
- All assets and liabilities to be transferred into the name of the new PCC.
- The claiming of gift aid and Gift Aid Small Donations Scheme (GASDS) can continue on a local church basis or be combined under the new PCC.
- Parish share will be applied as one figure to the new PCC as a whole.
- The reporting of occasional fees to be done from the new PCC for the parish as a whole.
- If the turnover of the new PCC exceeds £100,000 then it will need to register with the Charity Commission.

General

Where two or more parishes remain independent but are under a benefice 'umbrella' the financial requirements and responsibilities do not change. It is not quite as clear-cut when existing PCCs agree to merge and form a single new PCC. The scheme will define whether there is a wholly new charity or whether one or more parishes are absorbed into one of the existing PCCs. All of the recent schemes have been where a wholly new charity has formed, but it is feasible that a scheme in the future could be where one PCC absorbs others. For clarity, this reports refers to both the brand new PCC and the now enlarged PCC as the new PCC unless otherwise stated.

In both cases the trustees for this purpose are the members of the new PCC. Unless distinctly stated the previous charities (PCCs) will cease to exist. There are likely to be local church committees (e.g. a District Church Council or Local Church Council), but members of these are not trustees and their authority and responsibility are delegated from the new PCC.

Annual Accounts

<u>An existing PCC into which other PCC(s) have been absorbed</u> must show the transfer in of assets (and liabilities if appropriate). It would be sufficient to show this as a single line on the Statement of Financial Activity (SOFA). Income and costs should be amalgamated from the date of joining.

Annual accounts should show a comparative with the previous year's figures. The comparative figures should be those of the original entity but for clarity you should make mention in the notes what the combined assets would have been at the previous year.

If the merger happens mid-year (e.g. 1st May), then final accounts for each of the outgoing PCCs will need to be produced for the relevant period (i.e. 1st January to 30th April). The comparative figures will need to be those shown in the previous accounts which are likely to be a full year. That fact should be clearly stated in the notes to the accounts.

<u>The other scenario is where all PCCs cease and a totally new PCC is formed.</u> If this occurs at 1st January then the accounts preparation is simply an amalgamation of all accounts even if separate accounts are kept for each previously existing area. In this case the comparative figures will be the previous year's figures added together. Mention of this should be made in the notes to the accounts.