

The Annual Report

What should be included under SORP2005?

This is extracted from “The Charities Act and the PCC, SORP 2005 edition”

The 2005 revision of the SORP made a number of significant changes to the annual report which are designed to link more closely the objects, aims, objectives for the year, and activities planned for the year, with the outcomes achieved. The report should explain the governance and management structure and enable the reader to understand how the numerical part of the financial statements relates to the organisational structure and activities of the PCC.

The full content of the report is recommended as best practice for all PCCs, but for all those PCCs which are below the audit threshold there are significant reductions in the disclosures. Where a disclosure is optional for smaller PCCs it is marked with an asterisk, and appears in italics.

Reference and administrative information

This information should be given each year, even though much of it may be the same as for the previous year, it may be recorded separately from the main body of the report:

- ⊕ The full name (town/village and church dedication) of the PCC.
- The location of the church (or address if it has one) and the PCC correspondence address. This could be the church office (if there is one), or that of the incumbent or of an officer of the PCC that can be made public.
- The names of all the members of the PCC who have served since the commencement of the financial year until the approval of the financial statements. The names of those who have left the PCC and the names of those who have replaced them should be given. This is a list of all those who have been trustees of the charity. Those who have been officers of the PCC should be indicated.
- *The names and addresses of bankers, legal and other advisers to the PCC, and of the independent examiner or auditor.**
- *The name of the person or persons to whom day to day management is delegated e.g. the Incumbent.**

Structure, governance and management

This section should make clear to the reader the legal framework within which the PCC operates, and how decisions are made. It should include:

- An explanation of how the PCC is constituted. For most PCCs this will be as shown below. However a PCC which is a team ministry or part of a united benefice should briefly outline how it is established here.

“The Parochial Church Council is a corporate body established by the Church of England. The PCC operates under the Parochial Church Council Powers Measure. The PCC is exempted by order from registering with the Charity Commission.”

- If the PCC has any related trusts or charities, an explanation of the relationship of the PCC to these trusts.
- A statement that the appointment of PCC members is governed by and set out in the Church Representation Rules. (see example in 9.13 above).
- *The policies and procedures adopted for the induction and training of PCC members. As the PCC has ultimate responsibility for a wide range of matters affecting the parish, including such matters as compliance with health & safety, disability discrimination legislation and child protection, it is important that the PCC adopts appropriate training procedures. These are likely to include training courses arranged by the Diocese or Deanery which are attended by a PCC representative who reports back to the PCC as a body, and the dissemination of reading matter.**
- *A brief description of the way the PCC organises itself in order to carry out its aims and objectives. Many PCCs will probably only have a Standing Committee, but others may well have various committees. The purpose or terms of reference of the committees should be summarised. This should make clear the types of decision which are delegated to committees or to the incumbent or administrator.**
- *A statement confirming that the major risks to which the PCC is exposed, as identified by the PCC members, have been reviewed and systems or procedures have been established to manage those risks.**

Objectives and Activities

This section establishes the framework under which the PCC has operated in the year and its intentions. It should provide:

- A statement of the aims and objects of the PCC. The primary object of all PCCs will be the promotion of the Gospel of our Lord Jesus Christ according to the doctrines and practices of the Church of England. The PCC (Powers) Measure 1956 states the PCC ‘is to co-operate with the minister in promoting in the parish the whole mission of the Church, pastoral, evangelistic, social and ecumenical’. Some parishes may have ‘mission’ or ‘vision’ statements they wish to add to this.

- *An explanation of the PCC's main objectives for the year. These may, largely, remain constant from year to year, but may also include a particular focus for a year which may have been determined either by the PCC, such as particular work on the buildings; or be led by the Deanery or Diocese, such as mission and growth initiatives. The objectives set for the year need not relate to matters which can be "closed" within the year but may form part of a longer term project.**
- *An explanation of the strategies and activities that have been adopted to enable the PCC to achieve its objectives. This could provide details of the programmes the church does, such as regular worship services; house groups; women's, men's and youth groups; drop-in centres; outreach work; etc. The costs of these activities can be shown in the accounts and thus provide a direct link to the report.**
- *An explanation of the contribution of volunteers where they play a significant role in either the charitable activities of the PCC or in generating funds. This might include an explanation of the activities undertaken and the contribution in terms of hours or staff equivalents and may also include an indicative value of this contribution. Similarly where the PCC has received unquantifiable free facilities or services during the year, it should explain briefly the extent to which it relies on these continuing in order to pursue its work.**
- *The policy for making grants or donations should be given (including how potential recipients are identified).**
- *It will be rare for a PCC to have social or programme related investment activities (see glossary) but where these exist the policies adopted for the selection and management of these activities should be given.**

Achievements and performance

For PCCs under the audit threshold, this section should provide a summary of the main achievements of the church in the year. This could include:

- Extracts from returns to the Diocese on numbers of different types of services held, attenders at the regular services, baptisms, confirmations, etc.
- Details of the various special activities that the church ran during the year, eg missions, fundraising for overseas mission, pilgrimages, community events, etc.

For charities over the audit threshold this section sets out the outcomes from the planned strategies and activities in the year in the context of the objectives which the PCC set. This may include:

- *A review of the charitable activities undertaken that explains the performance achieved against the objectives set. In some cases it will be possible to explain the outcomes in terms of numbers (such as numbers on the electoral roll and/or attendance figures). Much of the work of the church, however, cannot be reduced to numbers and in order to evaluate its achievements the PCC will need to draw on reports of experiences which may be oral or written. Where the objectives set cover a longer term than the financial year, the review will take the form of a progress report.**
- *Where they are material, a review of the performance of fundraising activities against the objectives set for them.**
- *Where material investments are held, details of investment performance against the investment objectives set.**
- *A commentary on those factors within and outside the PCC's control which are relevant to the achievement of the objectives. This might include relationships with employees, members of the congregation, and the church's position in the wider community. This is intended to give a context to the activities of the year, for example the departure of the incumbent or a key member of staff may, necessarily, curtail some of the work planned for the year.**

Financial Review

The report will paint a picture of the financial position of the Church which will supplement the financial statements and assist the reader in understanding what it is that they are being asked to support financially and how those resources (and others) are being stewarded and used. (It should also review the financial position of any subsidiary undertakings which the church may have). This section of the report should also include:

- A statement of the PCC's policies on the reserves that are held (see 9.31-9.33) stating the level of reserves held and why they are held.
- An explanation of the circumstances which have given rise to any fund which is materially in deficit and details of any steps being taken to eliminate that deficit.
- *Details of the principal funding sources and how expenditure in the year under review has supported the key objectives of the PCC;**
- *Where material investments are held, the investment policy and objectives, including the extent to which social, environmental or ethical considerations are taken into account.**

Plans for future periods

*For larger PCCs over the audit threshold, the report should provide the reader with an explanation of the PCC's plans for the future (this will be the current year at the time the report is presented), including the key objectives and activities planned to support them. These will then form the basis of the objectives and activities section of the next report.**

Funds held as Custodian Trustees on behalf of others

In some circumstances the PCC may act as a custodian trustee (see glossary) for the assets of another charity. Where this is the case the report should give a brief description of the assets held; the name and objects of the charity on whose behalf they are held and an explanation of how this fits with the objects of the PCC; and details of the arrangements for the safe custody and segregation of such assets from those of the PCC.

Reserves policy

The PCC should formulate and disclose its policy on reserves. Reserves are defined as that part of the PCC's income funds that is freely available. This definition of reserves therefore normally excludes:

- a) permanent endowment funds
- b) expendable endowment funds
- c) restricted income funds

and any part of unrestricted funds which are not currently available for spending, for example:

- d) income funds which can only be realised by disposing of fixed assets held for charity use.

Individual parishes may have more or less reserves than this simple calculation suggests. For example they may have expendable endowments that can be spent (increasing reserves) or they may have designated some part of general funds for a particular project (reducing reserves). PCCs should report the amount of their reserves in the Report.

The adoption of a policy on reserves will help to identify situations where PCCs may need to consider either reducing or increasing the level of reserves that it holds. For example, the church may be in receipt of income that more than covers all its running costs (including diocesan parish share). Money therefore collected from parishioners is over and above what the parish needs. Alternatively, there may be parishes where the reserves are too low to cope with the requirements of its cash flow.

In addition to stating the amount of reserves held, the report should explain what the PCC considers to be an appropriate level of free reserves, and what action the PCC proposes to take to reduce or increase its free reserves where necessary. This will show the parish is acting responsibly in holding the level of reserves that it holds. The public can then fully understand the availability and planned use of the PCC's funds. Even if the PCC has no free reserves, it should provide an explanation of this.