

**St Andrew's Chesterton**  
**Financial statements and notes to the**  
**accounts**  
**for the year ended 31 December 2008**

The accompanying financial statements were approved by the Parochial Church Council. The notes that follow form part of these accounts.

**Simon Peyton Jones**  
Treasurer

**Patricia Abrey**  
Churchwarden

## **1 General Accounting Policies**

The accounts have been prepared in accordance with the Church Accounting Regulations 1997 together with applicable accounting standards and the Charities SORP.

### **1.1 Income and expenditure**

The accounts are prepared on an accruals basis rather than on a receipts and payment basis. This means that the costs and incomes relate to the period of account rather than to the time when monies are received or paid. For example, Hall rental income is recognised at the date of usage..

Collections, planned giving, grants and legacies are recognised when received. Funds raised are accounted for gross.

Two once-only adjustments have been made in the 2008 accounts:

- In previous years the accounts have only included amounts of Income Tax actually received from the Inland Revenue based on April to April tax years. Because of a change in Inland Revenue rules, which change the claims period to a calendar-year basis, in 2008 we only received the rebate due for income received Apr-Dec 2007 (ie nine months only).

This year the accounts also include an accrual for Income Tax which will be recoverable for all gifts during calendar year 2008 in accordance with the Church Accounting Regulations.

The net result is that the accounts show tax rebate income for 21 months (Apr 2007 – Dec 2008).

- In previous years the accounts have shown fees from our administrator at the moment they were paid. The 2008 accounts are on an accruals basis, and hence the administrator fees cover 15 months rather than 12 months.

If these one-off adjustments are annualised, a more informative figure for the overall surplus in the PCC General Fund would be £3,407, rather than that £11,524 shown.

PCC contributions to Youth Choir, Youth Group, Good Causes, and the Hall Management Committee, are shown as PCC expenditure with balancing in the appropriate fund.

## **1.2 Grants**

Grants are credited to the accounts in full when received.

Most grants relate to the purchase of assets and are immediately utilised in full; the only conditions attached to such grants is usually that the asset is used for the purpose it was intended for.

Other grants are credited to a specific reserve to ensure that they are spent only for the purpose they were intended.

The major grant that has been credited to the accounts relates to the Hall, and the obligations relating to receipt of that grant are set out in Section 0.

## **1.3 Assets**

### **1.3.1 Current assets**

Short-term deposits include cash held either with the CBF or COIF Church of England Funds, or at the Bank.

### **1.3.2 Fixed Assets**

Consecrated land and buildings are excluded from the accounts by Section 96(2)(a) of the Charities Act 1993.

No value is placed on movable church furnishings held which require a faculty for disposal since the PCC considers this to be inalienable property. All expenditure incurred during the year on consecrated buildings and movable church furnishings, whether maintenance or improvement, is written off as expenditure in the SOFA.

Individual items of equipment are written off at cost when the equipment is acquired.

### **1.3.3 Investments**

Investments are valued at market value on 31 December. Realised gains or losses are recognised when investments are sold. Unrealised gains or losses are accounted for on revaluation of investments at 31 December.

## **1.4 Equipment**

Equipment is never acquired with a view to future sale, or the generation of income. For this reason the cost is written off when incurred and hence depreciation is not charged. If an item of equipment is sold any proceeds are credited in full to the accounts, reducing the level of equipment expenditure reported in the accounts for that period.

A listing of important assets is maintained by the Wardens and Treasurer and these are reviewed on an annual basis.

## 2 Categorisation of funds

The accounts include all transactions, assets and liabilities for which the PCC is responsible in law. They do not include informal gatherings of Church members.

The Balance Sheet show the following funds. Some funds are **restricted**, meaning that we can only spend it on particular purposes; some are **unrestricted**, meaning that while the PCC may have designated it for particular purposes, it is free to change its mind; and some are **endowments**, meaning that the PCC cannot touch the capital.

During the year the PCC undertook a review of the Funds of the Church. The reasons for the review were:

- To ensure that all funds were properly understood and that they were being utilised in line with the restrictions placed upon them
- To consider if the rather complex position could be simplified, allowing easier administration and understanding

The outcome of the review was that it was appropriate for changes to be made as follows:

- Some of the funds had effectively the same purpose. These funds were merged.
- Some funds (King, TB Robinson) appeared to be misclassified. Restrictions on use had been applied which did not seem to be necessary. These funds were reclassified as unrestricted or restricted rather than endowments.
- The documentation in respect of one fund (King) that had been treated as restricted implied that the donor wished the funds to be used for the benefit of the people of Chesterton. This particular fund was designated a project fund.

In summary the changes were

- The number of funds was reduced from 22 to 18
- There was a net transfer of £18,548 from endowments to restricted funds, and of £78,417 from endowments to unrestricted funds.
- The "King project fund" was established with a balance of £69,943

The changes are described in detail in the document "*Proposed reorganisation of funds and accounts*", dated July 2008, which is attached as an Appendix to these notes. The changes described there were agreed by the PCC, executed in October 2008, and are reflected in the accounts.

## 3 The St Andrew's Hall Project

### 3.1 Hall Ownership and Book Value

The Hall is owned by the PCC who have full responsibility for it (See 3.5).

It is included in the accounts at cost of construction and this cost includes all fixed plant such as kitchen equipment, lift etc. The insurance valuation carried out in 2005 valued the building at £655,000.

The land was donated by the developer of St Andrew's Park. The land value has not been included in the accounts, but is estimated as £200,000. The land is actually owned by Ely Diocese.

### **3.2 Depreciation of the Building**

Depreciation is an accounting procedure designed to write off the cost of an asset (less its residual value) over its expected life. It is in part designed to ensure that the organisation consider the need to replace assets when they wear out. Given the relatively high value of the building the policy chosen is very important.

Currently no depreciation is being charged because the PCC plan is to maintain the building in perpetuity. This will be kept under review and if a time comes when the PCC foresee a future need to rebuild, then depreciation will need to be applied.

### **3.3 Contributors to the Hall**

The church had planned for many years to replace the Hall formerly sited in Chapel Street. Donations to the project had been received over a considerable period of time. When the opportunity to site the new Hall on land adjacent to St Andrew's Park materialised an appeal was launched and Grants received. In summary the construction of the Hall was funded as follows:

Donations	£58,225
Grant from PCC	£345,197
Section 106 Grant	£246,000
Grant from Trinity	£50,000
WREN Equipment Grant	£15,000
Other grants	£1,301
Interest	£16,187
<b>TOTAL</b>	<b>£731,910</b>

### **3.4 Obligations of the Church Regarding the Hall**

As mentioned above the Church received a Grant of £246,000 from Cambridge City Council toward the cost of building the Hall. The Section 106 agreement relating to this grant places various constraints on the Church as to how the hall should be used for a period of 25 years following the opening of the Hall in November 2005.

The main terms are as follows:

- **Availability.** The hall must be made available for at least 60 hours a month for community use and at least 20 hours a month local use
- **Standards.** The hall must be kept in a condition suitable for community use
- **Advertising.** The PCC must advertise the Hall in a suitable manner and have a suitable system for taking bookings for community use

The agreement provides for termination under certain circumstances, with a claw-back of the grant on a tapering basis, from 90% when terminated after three years, to 10% after eleven years, and nothing thereafter.

### **3.5 Hall Management Committee**

In order to get the best use from the Hall and to maximise benefit for the community the PCC in partnership with the local Residents Associations has set up a Hall Management Committee. This is made up of representatives of the PCC, Old Chesterton Residents Association, St Andrew's Road Residents Association and Hall User groups. The Committee meets on a regular basis. They are responsible for ensuring that the Hall is operated in accordance with the Section 106 agreement. They also deal with practical day to day matters and make recommendations to the PCC as to general policy.

### **3.6 Hall Accounts**

The Section 106 agreement sets out that an annual report must be submitted covering the Hall finances and details of letting.

As mentioned above the Hall is owned by the PCC and there is no separate legal entity other than the PCC. The Hall accounts are thus limited to an income and expenditure account setting out all the income earned and costs incurred by the PCC in operating the Hall.

The Hall Accounts are likely to show a regular deficit and the PCC are aware of this. The original plans for developing a Church Hall had not budgeted for receiving the grant from the City Council and so the finances are significantly better than had been anticipated. This makes it practical to budget for a regular deficit to be incurred.

### **3.7 SNAP Nursery debt**

The SNAP Nursery purchased the old Hall from the PCC in 2004. Beyond the purchase price they agreed to pay a further £60,000 over 10 years. The figures for 2008 are:

Debt at 1 Jan 2008	£42,903.28
Paid during 2008	£6,000.00
Debt at 1 Jan 2009	£36,903.28

# Appendix

## Reorganisation of funds and accounts

July 2008

### 1 Summary

The finance committee has undertaken an initial review of the various funds held by the church and the purposes for which they can be used. The purpose of the review was to

- Ensure we were acting in accordance with donor's wishes
- Ensure we understood the resources available to us
- Make the treasurer's work more logical and straight-forward

This note is a formal minute of the St Andrew's Chesterton Finance Committee meeting, held on 28 July 2008. It records the decisions of the committee, which were subsequently ratified by the PCC. To gain a detailed understanding, the rest of this document should be reviewed. However, the rest of this section briefly summarises the salient points.

The total funds of the church amount to £1,241k. This sum is split up as follows

- £56k are endowments – we can't touch the capital and income arising must be applied in certain ways
- £45k are restricted funds – the capital must be used for specific purposes – most for the upkeep of the building (fabric)
- £460k is unrestricted and liquid
- £680k is in the unrestricted but illiquid form of the Hall building itself

The document proposes a number of simplifications, reducing both the number of **funds** and the number of **accounts** managed by the treasurer.

The donor of one particular legacy, King, amounting to £77k seems to have indicated that the monies should be applied to positive projects rather than left in a bank account. This will need to be taken forward – it represents an opportunity and a challenge.

## 2 The current situation

### 2.1 Funds

St Andrews had the following Funds at 1 Jan 2008

PCC General	£10.5k	Unrestricted	The PCC's general fund for income and expenditure. Our goal is for income and expenditure to balance each year.
Youth choir	£88	Unrestricted	A small fund of money raised by the Youth Choir
Capital	£86k	Unrestricted	Money designated for capital projects.
Hall Capital	£196k	Unrestricted	Money arising from the sale the old Hall, which was not used to build the new one. This money is entirely unrestricted; we can do what we like with it. The only reason to have it in a separate fund is so that we remember where it came from, especially because we use income on this fund to subsidise activities in the Hall. Some £43k of this fund is currently in the form of money owed to us, over time, by SNAP, and hence is not income-generating.
Hall Project	£24k	Unrestricted	This fund is managed entirely by the Hall Management Committee; it plays the same role for them as the PCC General fund plays for the PCC.
Ince	£62k	Unrestricted	This bequest is entirely unrestricted. A note dated 3 June 1999 of a phone call between the then Treasurer and Mr Hindmarsh (who acted for Mr Ince), quotes the latter "They can do what they like with it".
Fabric	£1k	Restricted	The fund contains money that must be spent on the fabric of the building or churchyard. We should have had this fund ages ago.
Tuck	£23k	Restricted	Ms Tuck left approximately £25k to St Andrews in 1988 "to be used for the preservation and structural repairs to the church". We have presumably spent some of it since then.
Good causes	£1.5k	Restricted	Money given to St Andrew's on Gift Days or similar occasions, specifically to give to good causes. It holds short-term money that is in transit.
Organ Fund	£2k	Restricted	Money given to St Andrews by the Friends of St Andrews, specifically to be spent on the Organ

TB Robinson	£18.5k	Part endowment, part restricted	TB Robinson left the church £2000 in 1979 "to be invested and income applied towards the upkeep of the fabric of the church". The current large balance suggests that other money has been mixed in with it.
Dixon	£1.5k	Endowment	"...To be invested by them and the income applied at their discretion for or towards the maintenance of the said church"
Ida Elsom	£4k	Endowment	"...the capital be invested and the income applied towards the upkeep of the said church"
Mabel Elsom	£5k	Endowment	"..to invest the same and apply the income therefrom for or towards the maintenance and repair of the fabric of that church"
Harris	£35k	Endowment	"...that they shall invest the same and apply the income therefrom for or towards the general expenses in the upkeep of the said church"
King	£77k	Expendable endowment	"...the net proceeds of sale [of the house] to be applied for such charitable purpose in connection with the said church of parish thereof as the Trustees may think proper". The Trustees may be "nominated by the vicar for the time being of St Andrew's Church"
Clark	£6k	Endowment	The PCC "shall invest the same and apply the income therefrom in keeping the graveyard and the chapel of the resurrection in good order and repair"
Kettle Grave	£2k	Endowment	To "pay the income to the incumbent of the parish of St Andrew's for the maintenance of the church and churchyard"
Bellamy	£2k	Restricted	"The legacy is to be used for the upkeep of the church fabric of the churchyard or cartilage thereof". It seems that we may spend the capital of the bequest, so it is not an endowment.
Onyett	£1k	Unrestricted	The legacy "has been left to the PCC for such ecclesiastical charitable purposes as they shall think fit"
Hall building	£680k	Unrestricted	The building itself

## 2.2 Bank accounts

St Andrew's has a large number of distinct bank accounts. Here is what we had at 1 Jan 2008:

- Current accounts**, held at Barclays
  - PCC current account: 80263524 20-17-35
  - Hall Project current account: 10499552 20-17-35
- Deposit accounts**, held at CBF
  - PCC deposit account: CBF 614086001D
  - Hall Project deposit account: CBF 614086006D
  - Capital fund: CBF 614086003D
  - Hall capital: CBF 614086008D
  - Ince: CBF 614086007D
  - TB Robinson: CBF 614086002D
- Unit trust accounts**, held at CBF
  - Tuck: CBF 614086013S. Income from this (wrongly) goes to the PCC current account, where it is treated as general income.
  - Ince: CBF 614086004S. Income goes to Ince deposit account.
  - Hall capital: 614086011S. Income goes to the PCC current account, where it is treated as general income. This is a complicated historical reason for this.
  - Nine endowment accounts (Bellamy (2S), Onyett (3S), Dixon (5S), Ida Elsom (6S), Mabel Elsom (7S), King (8S), Clark (9S), Kettle Grave (10S) , Harris (12S)). Income is currently divided thus:
    - To the PCC general fund: Bellamy, Onyett, Dixon, King, Clark, Kettle Grave. (total £90k)
    - To the Capital fund: Mabel Elsom, Harris.

### 3 Proposals concerning Funds

The PCC should have the following Funds:

- PCC General Fund (unrestricted).
- Capital Fund (unrestricted).
- Hall Capital Fund (unrestricted). Funds left over from the Hall building project, which now serve to maintain the Hall and fund grants to the Hall Management Committee.
- Hall Project Fund (unrestricted). Funds managed by the Hall Management Committee.
- Hall Building Fund (unrestricted). The Hall building itself.
- King Fund (unrestricted)
- Fabric Fund (restricted). Restricted to being spent on the fabric of the church.
- Organ Fund (restricted). Restricted to being spent on the organ.
- Youth Choir Fund (restricted)
- Good Causes Fund (restricted)

To this end, the following actions would be taken:

1. Amalgamate **Ince** into the Capital Fund. No purpose is served by keeping them separate, given the broad scope of Mr Ince's generous bequest. His name will still be recorded permanently in the Notes to the Accounts.
2. Amalgamate **Onyett** into the Capital Fund. The same reasoning applies as to Ince.
3. Amalgamate **Tuck** into the Fabric Fund. The Tuck fund is restricted to fabric, and that matches the Fabric Fund restriction.
4. Amalgamate **Bellamy** into the Fabric Fund. Same reasoning again.
5. The Finance Committee believes that some £2,300 of the **TB Robinson** account arose from an endowment made in 1979 "to be invested and income applied towards the upkeep of the fabric of the church". Some of the remainder comes from income on this amount. The remainder is believed to come from an earlier donation by TB Robinson.

The proposal is that the £2,300 is treated as a non-expendable endowment, while the balance is amalgamated into the Fabric Fund (restricted).

6. The **King** "endowment" (which is substantial, £77,000) has an accompanying Will that was reviewed by the Finance Committee. In the light of this review, the following is proposed:
  - The money should be kept in a distinct fund, as an *unrestricted* and *expendable* fund.
  - In the light of the donor's wishes that the "proceeds of the sale [of the house] be applied for such charitable purpose in connection with the said church or parish thereof as the trustees may think proper", rather than just keeping the money forever, the Vicar and PCC are invited to consider what initiatives might be funded by this pool of money.
  - Meanwhile, the income arising from the fund should be applied to the General Fund, and used (as at present) to sustain current expenditure.
7. Direct income from the following endowments to the **Fabric Fund**
  - Dixon
  - Ida Elsom
  - Mabel Elsom
  - Clark
  - Kettle Grave
  - TB Robinson
8. Direct income from the following endowments to the **General Fund**
  - Harris
  - King

## 4 Proposals concerning bank accounts

Now that we are robustly recording income and expenditure to each Fund, there is no need for so many accounts. Proposals:

1. **Hall Project** (run by the Hall Management Committee)
  - Current account
  - Deposit account
2. **Endowments:** one unit trust account for each endowment (as now):
  - Dixon
  - Ida Elsom
  - Mabel Elsom
  - Clark
  - Kettle Grave
  - TB Robinson
  - Harris
3. **All other funds** (Youth Choir fund, PCC general fund, Organ fund, Fabric fund, Good causes; Capital Fund and Hall Capital Fund, King fund: total about £480k)
  - PCC Current account
  - PCC Deposit account
  - PCC Unit Trust account
4. **Interest on the PCC Deposit account, and dividends from the PCC Unit Trust account**, is accrued to each fund pro rata, taking a snapshot at the beginning of the year, unless there are exceptional variations during the year. The sole exception is that income from the King Fund is applied to the General Fund
5. **The balance between the PCC Deposit and Unit Trust accounts should be roughly 40% to 60% respectively.** That differs from the current balance; we should make the change over the period of a year or so. A gradual change reduces risk arising from the fluctuations in the value of investments.

## 5 Proposals concerning signatories

- The PCC current account should require
  - One signatory for sums less than £1000
  - Two signatories for higher amounts
- The PCC current account should have three signatories, namely:
  - The treasurer
  - The vicar
  - One of the two churchwardens, at the discretion of the Finance Committee.

The Finance Committee recommends that Geoff Peel be the signatory churchwarden at present.

- Transfers between the various CBF accounts (apart from the Hall Project Deposit Account), and between a CBF account and the PCC's current account, should require only **one** signatory. The signatories to these accounts should be the same as the PCC current account, with the treasurer being the correspondent.

- All withdrawals from the CBF accounts should be done by transfer to the PCC current account, not cheques from CBF to third parties.

## 6 Notes

Currently we take as “current income” the income from some £150k of unit trusts, some of it (as we can now see) wrongly. The above proposal would reduce that to only £103k (Harris + King), with a consequent reduction in income we treat as current of around £1.5k. We could, if we wanted, make a regular transfer from the Capital Fund into the General Fund of this amount; or we could simply run on the smaller income.

## 7 Summary of proposed changes to funds

Situation at 1 Jan 2008		Proposed new situation	
<b>Unrestricted funds</b>		<b>Unrestricted funds</b>	
PCC current funds	£10,525.34	PCC general fund	£10,525.34
Youth choir	£88.39	Capital	£150,041.35 Add Ince, Onyett
Capital	£86,762.58	Hall project	£24,377.60
Ince	£62,500.12	Hall capital	£196,950.68
Hall project	£24,377.60	Hall building	£680,000.00
Hall capital	£196,950.68	King fund	£77,638.50 Unrestricted, expendable
Hall building	£680,000.00		
<b>TOTAL unrestricted</b>	<b>£1,061,204.71</b>	<b>TOTAL unrestricted</b>	<b>£1,139,533.47</b>
<b>Restricted funds</b>		<b>Restricted funds</b>	
Organ	£2,000.00	Organ	£2,000.00
Fabric	£968.88	Fabric	£41,839.56 Add Onyett, part TB Robinson
Tuck	£23,291.17	Youth choir	£88.39
Good causes	£1,433.29	Good causes	£1,433.29
<b>TOTAL restricted</b>	<b>£27,693.34</b>	<b>TOTAL restricted</b>	<b>£45,361.24</b>
<b>Endowments</b>		<b>Endowments (non-expendable)</b>	
Bellamy	£2,298.26	Dixon	£1,532.17
Onyett	£778.65	Ida Elsom	£3,755.08
Dixon	£1,532.17	Mabel Elsom	£5,161.67
Ida Elsom	£3,755.08	Clark	£6,304.52
Mabel Elsom	£5,161.67	Kettle Grave	£2,059.64
King	£77,638.50	Harris	£35,365.58
Clark	£6,304.52	TB Robinson	£2,300.00 Capital endowment portion only
Kettle Grave	£2,059.64		
Harris	£35,365.58		
TB Robinson	£17,581.25		
<b>TOTAL endowments</b>	<b>£152,475.32</b>	<b>TOTAL endowments</b>	<b>£56,478.66</b>
<b>TOTAL</b>	<b>£1,241,373.37</b>	<b>TOTAL</b>	<b>£1,241,373.37</b>