

The Accountant's Angle

Are faith groups a fig leaf for the Big Society, asks Richard Hill

In this new dawn of encouraging a greater commitment to giving, both in time and money, perhaps the biggest 'ask' by Government, is requested of faith based charities to play a key role in the success of the Big Society. While faith groups would undoubtedly welcome the opportunity to play a greater part in community life, this willingness to engage should not be seen as a sign that they are prepared to become the fig leaf for gaps in vital services. Right now it is hard to separate the carrot from the stick. So, it would be good to see something more motivating coming from Government, beyond the reduction in inheritance tax for those leaving 10% of their estate to charity, as announced in the recent budget.

Of real tangible benefit would be revision of secular employment law, so it better fits the flexibility faith groups need. One might think it is sensible to expect a Christian organisation when recruiting a fundraiser, to be able to advertise specifically for someone who is a practising Christian, as they would best be enthused by and identify with the organisation's objectives. However, the practical reality is that placing such a restriction in advertising a post does not pass the equal opportunities test. At a time when Charities are under greater public scrutiny than ever before, no longer can you act with impunity. Particularly so, if you are a Church.

The law sets out a framework for reporting and accounting by charities which is supplemented by the Charities SORP, and in the case of CofE churches, this is adapted further within the Church Accounting Regulations. However real accountability is about more than just about complying with the law and the recommendations of the accountancy standard setters, it is about being transparent in building the public perception of your charity and maintaining it. Good governance is vital to do so. In addition to monitoring income and expenditure well, you will need to capture any latent good will and demonstrate this in your accounts, as a worthwhile charity attracting continued support.

So my tip for managing your money to best effect would be to encourage funds donated regularly to fall into the unrestricted, rather than the restricted fund pot. In this way, while remaining true to your core objectives you can retain the necessary flexibility to enable you to direct funds to those

projects that you are committed to and still be able to plan effectively for the future.

Whether it's your provision of philanthropy, health or social care from a faith based platform, it's easy to undersell your charitable activities, at the very real expense of over emphasising the cost of operating your organisation.

Administrative zeal can often cloud the silver lining of the very real benefits of your charitable activities and the substance of your message, not to mention a more favourable presentation of your accounts.

So whether you are seeking sources for capital funding – for example, to assist with the development of new buildings, or to upgrade the assets used in delivering your activities; or sources of revenue funding to enable you to spend more on your principal purpose for being – you are best advised to demonstrate your faith in action as a result of these 'purchases', highlighting end-benefits and differentiating you from other good causes. Faith groups constitute an increasingly broad church; much more than many realise. Your church, synagogue or mosque and related community centres are rarely shown as fixed assets on your balance sheet. In the case of CofE churches, the church building is categorised as consecrated property and it is typically owned by and therefore appears on the local diocese's balance sheet, yet you'll be responsible for their upkeep. In an increasingly secular world, to survive and thrive, faith charities need to demonstrate that they are of a relevance to those outside of their fellowship. Now faith groups, as with other charities, will have to demonstrate that they have a 'public benefit'. Although people will be drawn by faith to support a particular charity, or attend a place of worship, don't take their continued financial support for granted. As ethical accountancy experts the wish to demonstrate our relevance to our clients, and to remind them why they are all the better for engaging us, is at the heart of our work. We believe that the ability of our clients to demonstrate their relevance to the wider stakeholders is crucial to their continued prosperity and we would advocate this approach to all faith charities as they seek to reach out to their target audience.

Richard Hill is a partner at Griffin Stone Moscrop & Co: www.gsmaccountants.co.uk