

Northern Friends Peace Board

Financial Statements

for the year ended 31st December 2014

Northern Friends Peace Board
Report of the Executive
for the year ended 31st December 2014

Status

A recognised Scottish Charity registered as such with the Inland Revenue in 1996 having previously been registered in 1967 with the Inland Revenue in England and Wales as an excepted religious charity. Originally established in 1913. The current constitution was adopted 27th February 2000.

Reference and Administrative Information

Charity name Northern Friends Peace Board

Charity Registration Number SC024632

Registered office Friends Meeting House
38 Elmbank Crescent
Glasgow
G2 4PS

Operating address Victoria Hall
Knowsley Street
Bolton
BL1 2AS

Executive Committee

Jette Howard	(Clerk to the Executive from 1 st January 2013)	(re-appointed 1 st January 2014)
Phoebe Spence	(Treasurer from 1 st January 2013)	(re-appointed 1 st January 2014)
Philip Latham	(Assistant Treasurer from 1 st January 2013)	(re-appointed 1 st January 2014)
Cathy Holman		(term of office completed December 2014)
Suzanne Wilson		
Robin Bowles		
Jill Tutton		

The executive committee are appointed by the full Board on the nomination of the Board's Nominations Committee.

Principal staff

Philip Austin
Steven Waling

Independent Examiner

James Gore-Langton FCCA DChA
Slade & Cooper Limited
Green Fish Resource Centre
46-50 Oldham Street
Manchester
M4 1LE

Bankers

The Co-operative Bank	Bank of Scotland	Ecology Building Society
Olympic House	Craigs House	7 Belton Road
Montford Court	78 Upper Craigs	Silsden
Salford	Stirling	Keighley
M5 2QP	FK8 2DE	BD20 0EE

Northern Friends Peace Board
Report of the Executive
for the year ended 31 December 2014

The Northern Friends Peace Board Executive submits its report and accounts for the period 1st January – 31st December 2014. The Executive confirms that the accounts comply with current statutory requirements and the charity's constitution.

Objectives and Principal Activities

The objective of the Board is the advancement, within its areas of operation, of the principles of the Religious Society of Friends (Quakers) with special reference to the testimony against all wars and through promoting peace, justice and care for the environment. This arises from our original mandates: "To advise and encourage Friends in the North, and through them their fellow Christians and citizens generally, in the active promotion of peace in all its height and breadth." It undertakes education, training and other activities to this end.

When planning our activities for the year, the Executive considered the guidance of the Charity Commission and of the Office of the Scottish Charity Regulator on public benefit. The Executive is committed to reaching as many people as possible through its work, both members and attenders of the Society of Friends as well as people of other faith or of none.

Objectives for the period

- Completing the current phase of our work on Building Peace in Diverse Britain.
- Support Quakers and others in promoting peace in the context of the First World War centenary.
- Develop our work to support Friends in taking positive action for sustainable security and promoting thinking and action by others.
- Explore the possibility of our developing some work in relation to militarism and young people.
- Support NFPB and its members as a community.
- Developing work that is more effective at reaching Friends in Scotland and North Wales as well as in Northern England, with some possibility of work relating particularly the independence referendum in September 2014.
- Further work to widen our funding base.
- Strengthening our Executive committee through appointing new members and developing its skills and capacity.

Significant activities

- Board meetings took place in Huddersfield, Chester, Dunblane and Newcastle. We considered a range of issues, from the situation in Ukraine to the Scottish Independence Referendum, the First World War centenary and a wide range of local and peace initiatives from throughout the NFPB area. We also had spent time evaluating NFPB and its work and sharing visions for its activities in the future.
- Fifty young people from different backgrounds came together for an event entitled *Young People, Peace and Community* in June, organised by our Building Peace in Diverse Britain project group.
- Our Sustainable Security group organised a workshop with the Turning the Tide programme, providing useful material and direction for planning future activities.
- We were involved in delivering workshops – some in collaboration with other Quaker groups – and running an information stall at the Britain Yearly Meeting Gathering in Bath, in early August.
- We produced and distributed a set of four posters, three being reproductions of historic NFPB posters and one new design. We also continue to sell the cards and tea-towels produced to mark the NFPB Centenary year during 2013.
- We produced a leaflet reflecting on the Centenary of the First World war, which Quakers used in many settings and supported and promoted a range of other activities, from displays to discussions and acts of witness.

Northern Friends Peace Board
Report of the Executive
for the year ended 31 December 2014

- We hosted a Peace Education outreach day in Manchester, drawing on the peace education expertise of Quaker Peace and Social Witness and Pax Christi. It brought together participants from different parts of the North and beyond, with a range of perspectives, from teachers to peace activists.
- We continued our communications and outreach activities through our website and social networking media, as well as through printed materials and responding to enquiries. We also collaborated with a number of Quaker and non-Quaker groups, sharing information and developing joint work.
- Scottish NFPB members met with three of our Trustees to explore how the Board could strengthen its work in Scotland and how best to support Friends before and after the independence referendum.
- Our Coordinator was supported in taking a short sabbatical, during April and May. Trustees provided cover during the period, giving them a better appreciation of the range of work undertaken in that role.
- One of our members participated in the annual Peace and Service Consultation for Quakers in Europe and the Middle East. We also participated in national and international networks, Quaker and non-Quaker, sharing information and plans for work on peace and disarmament and links with environmental concerns.

Financial Review and Results

Our income from individual donations and financial contributions for Local and Area Quaker Meetings continued to be at a good level during the year. Our investments again performed well, generating an income of £8,000, with an additional £350 from building society interest. Increased pension contributions continue to be required on a monthly basis to cover the pension deficit, as anticipated. These have a significant effect on our funds but we have managed our expenditure to stay within our budget.

We received no additional funding for project work during the year but further utilised funds received previously for our work on Building Peace in Diverse Britain. Additional external funding will be sought for new projects. We spent resources on printing, including posters and colour leaflets marking the centenary of the First World War and generated income from the sales of these and other materials. We also paid for travel and accommodation for staff and committee participation in national and international Quaker events. We intend to find an appropriate way of using remaining funds given some years ago for our Peace Papers project..

In order to provide cover for the Coordinator whilst he was on a sabbatical in the spring, we paid one of our members to undertake some of that work. No significant expenditure was made on office equipment during the year, although we were able to purchase a refurbished PC at a minimal cost. Our expenditure on staff and committee development was less than anticipated but we are committed to using these funds in the future.

FINANCIAL POLICIES

Risk assessment

We undertook a risk assessment and updated our risk management policy. We protect trustees against a potential liability arising from pensions' legislation by designating a significant portion of our reserves to meet any potential liability. We remain committed to avoiding such a liability crystallising and are investigating our future options in this regard with regard to the Pensions liability. Our Assistant Treasurer is a member of The Pensions Trust Employers' Consultative Group, which provides a valuable additional opportunity for us to both to improve our understanding of the situation and to communicate our concerns.

Reserves Policy

In March 2001 Trustees agreed that we should endeavour to hold in our reserves the equivalent of four months' running costs, based on the period of notice required for the termination of our Co-ordinator's employment and any winding up costs associated with that. Our current reserves exceed this margin, largely as a result of the receipt of legacies in recent years. We expect to continue to draw on this additional source of finance to develop project work when necessary but need to retain sufficient funds to meet the potential liability pertaining to the Pensions Trust. Our reserves are invested ethically, and expect to earn £8,000 per annum.

Northern Friends Peace Board
Report of the Executive
for the year ended 31 December 2014

FUTURE PLANS

- We want to continue to support Friends in speaking out and witnessing for peace and against militarism and on alternative responses to terrorism and extremism.
- We want to encourage awareness of and opportunities for young people's involvement in peace work and for peace education. In addition, the issue of militarism in schools is of continuing concern to many Friends and we will be alert to opportunities to engage with this.
- The Building Peace in Diverse Britain plans a further event for young people and to report on its period of funded work. New leadings on peace work in a cross-cultural context will be considered during the year.
- Our Sustainable Security project group is planning the production of straightforward materials and running events to support Friends and others in speaking out on security for the common good.
- We will continue our efforts to strengthen our work throughout the Board's area, in 2015 having two of our Board meetings (rather than the usual one) in Scotland. We will also participate in the Solas Festival, taking place in Perth in June.
- We will provide continued support for Friends in marking the centenary of the First World War.
- We want to widen opportunities for sharing information and inspiration with Friends at the local level, so plan to publish more frequent news bulletins for Friends and begin experimenting with a series of smaller regional NFPB gatherings
- We hope to continue to make sure our Board meetings are effective in providing a framework for joint discernment, sharing information and ideas and for developing the community of our Board members.
- We intend to organise a residential meeting of the NFPB trustees and to continue the new practice of monthly phone-conferences, in order to strengthen the group and its capacity.
- We will continue to seek funds from a diverse range of sources and develop ways of promoting sales of our materials via our website and other means.

Structure, governance and management

The area of operation of the Board is primarily that covered by the Area Meetings of Britain Yearly Meeting in Scotland, North Wales and Northern England. Its constitution is governed by the Law of Scotland and is registered as a charity with the Office of the Scottish Charity Regulator. The Board maintains an office in Bolton and a Scottish postal address. It employs a full-time Co-ordinator and a part-time Administrative Assistant.

Procedures of the Board and its committees follow the general counsel on church affairs set out in *Quaker Faith and Practice*. Its trustees form the Executive Committee and its work is guided by the meetings of all Board members, including Representatives of all Northern Area Meetings and co-opted members. The full Board and its Executive meet four times per calendar year and their various sub groups meet at different times, reporting to the Board and to the Executive.

The law requires the Executive to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charity and of the incoming resources of the year and the application of resources of the charity for that period. In preparing those financial statements, the Executive are required to:

1. select suitable accounting policies and then apply them consistently,
2. make judgements and estimates that are reasonable and prudent,
3. state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements,
4. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in business.

Northern Friends Peace Board
Report of the Executive
for the year ended 31 December 2014

The Executive are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the charity and to enable them to ensure that the financial statements comply with applicable accounting standards. They are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Members of the Executive during the period covered were Robin Bowles (Co-Clerk to the Board), Cathy Holman (Co-Clerk to the Board), Jette Howard (Clerk to the Executive), Philip Latham, Phoebe Spence (Treasurer), Jill Tutton. Friends are appointed to the Executive both from the membership of the Board and from amongst Northern Friends as co-opted members. We committed resources and time to continuing induction and training of staff and committee members. The Executive committee met four times during the period covered.

Philip Austin and Steven Waling, Co-ordinator and Administrative Assistant respectively, undertook the finance-related administrative work from the Board's office, and Philip Austin continued his co-ordinating role in relation to all other areas of the work of the Board and Executive.

The Board maintains effective and regular working links with Quaker Peace and Social Witness, with cross-representation of staff on its Peace Campaigning and Networking Group reinforcing this positive complementary working relationship. There are also international links, and inter faith dimensions to our work.

By Order of the Executive and signed on its behalf:

Jette Howard
Clerk to the Executive 2014

Date

Independent Examiner's Report to the Executive Committee (Trustees) of

Northern Friends Peace Board

I report on the accounts of the charity for the year ended 31 December 2014 which are set out on pages 7 to 19.

Respective responsibilities of trustees and examiner

The charity's trustees are responsible for the preparation of the accounts in accordance with the terms of the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006.

The charity trustees consider that the audit requirement of Regulation 10(1) (a) to (c) of the Accounts Regulations does not apply. It is my responsibility to examine the accounts as required under section 44(1) (c) of the Act and to state whether particular matters have come to my attention.

Basis of independent examiner's report

My examination is carried out in accordance with Regulation 11 of the Charities Accounts (Scotland) Regulations 2006. An examination includes a review of the accounting records kept by the charity and a comparison of the accounts presented with those records. It also includes consideration of any unusual items or disclosures in the accounts, and seeks explanations from the trustees concerning any such matters. The procedures undertaken do not provide all the evidence that would be required in an audit, and consequently I do not express an audit opinion on the view given by the accounts.

Independent examiner's statement

In the course of my examination, no matter has come to my attention:

- which gives me reasonable cause to believe that in any material respect the requirements:
- to keep accounting records in accordance with Section 44(1)(a) of the 2005 Act and Regulation 4 of the 2006 Accounts Regulations, and
- to prepare accounts which accord with the accounting records and comply with Regulation 8 of the 2006 Accounts Regulations

have not been met, or

- to which, in my opinion, attention should be drawn in order to enable a proper understanding of the accounts to be reached.

James Gore-Langton FCCA DChA
Slade & Cooper Limited
Chartered Certified Accountants
Green Fish Resource Centre
46-50 Oldham Street
Manchester
M4 1LE

Date.....

Northern Friends Peace Board
Statement of Financial Activities
for the year ended 31 December 2014

	Note	Unrestricted funds £	Restricted funds £	2014 £	2013 £
Incoming resources	2				
Donations and legacies		46,133	-	46,133	38,326
Grants		5,105	-	5,105	20,726
Fees and other income		1,876	-	1,876	7,656
Investment income		8,365	-	8,365	10,247
Total incoming resources		61,479	-	61,479	76,955
Resources expended	3				
Charitable activities		48,041	8,660	56,701	60,845
Governance costs		2,712	52	2,764	3,160
Total resources expended		50,753	8,712	59,465	64,005
Net incoming/(outgoing) resources for the year	5	10,726	(8,712)	2,014	12,950
Transfer between funds		-	-	-	-
Gains/(losses) on investments		6,643	-	6,643	11,416
Net movement in funds		17,369	(8,712)	8,657	24,366
Funds at 31 December 2013		242,120	12,156	254,276	229,910
Funds at 31 December 2014		£ 259,489	£ 3,444	£ 262,933	£ 254,276

The Statement of Financial Activities includes all gains and losses in the year. All incoming resources and resources expended derive from continuing activities.

Northern Friends Peace Board

Balance Sheet as at 31 December 2014

	Note	2014		2013	
		£	£	£	£
Fixed assets					
Tangible assets	8		344		430
Investments	9		206,210		199,567
			206,554		199,997
Current assets					
Stock		1,837		1,460	
Debtors	10	2,239		557	
Cash at bank and in hand		55,019		54,924	
			59,095		56,941
Creditors: amounts falling due in less than one year	11	(2,716)		(2,662)	
			56,379		54,279
Total assets less current liabilities			£ 262,933		£ 254,276
Reserves					
Unrestricted funds					
Designated funds	13	105,275		88,466	
General funds		154,214		153,654	
			259,489		242,120
Restricted funds	14		3,444		12,156
			£ 262,933		£ 254,276

Approved by the Executive Committee and signed on their behalf by:

Jette Howard, Clerk to the Executive

Phoebe Spence, Treasurer

Date

Northern Friends Peace Board
Notes to the accounts
for the year ended 31 December 2014

1 Accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. They have been applied consistently during the year, and in the preceding year.

a Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with the Charities and Trustee Investment (Scotland) Act 2005, the Charities Accounts (Scotland) Regulations 2006, the Financial Reporting Standard for Smaller Entities (effective April 2008), and follow the recommendations in Statement of Recommended Practice - Accounting and Reporting by Charities (issued in March 2005).

b Fund accounting

- Unrestricted funds are available for use at the discretion of the trustees in furtherance of the general objectives of the charity.
- Designated funds are unrestricted funds earmarked by the Executive for particular purposes.
- Restricted funds are subjected to restrictions on their expenditure imposed by the donor or through the terms of an appeal. Expenditure which meets these criteria is identified to the fund, together with a fair allocation of management and support costs.

c Incoming resources

All incoming resources are included in the Statement of Financial Activities when the charity is entitled to the income and the amount can be quantified with reasonable accuracy. The following specific policies are applied to particular categories of income:

- Voluntary income is received by way of grants, legacies, donations and gifts and is included in full in the Statement of Financial Activities when receivable. Grants, where entitlement is not conditional on the delivery of a specific performance by the charity, are recognised when the charity becomes unconditionally entitled to the grant.
- Donated services and facilities are included at the value to the charity where this can be quantified. The value of services provided by volunteers has not been included in these accounts.
- Investment income is included when receivable.
- Incoming resources from charitable trading activity are accounted for when earned.

d Resources expended

Expenditure is recognised on an accrual basis when a liability is incurred. Expenditure includes any VAT which cannot be fully recovered, and is included as part of the expenditure to which it relates.

Northern Friends Peace Board
Notes to the accounts
for the year ended 31 December 2014 (continued)

1 Accounting policies (continued)

e Operating leases

Rentals payable under operating leases, where substantially all the risks and rewards of ownership remains with the lessor, are charged to the Statement of Financial Activities in the year in which they fall due.

f Tangible fixed assets

Fixed assets are stated at cost less accumulated depreciation. Individual items costing less than £250 are not capitalised.

Tangible fixed assets are depreciated as follows:

Asset Category	Annual rate
Office equipment	20% (reducing balance)

g Investments

Investments are stated at market value at the balance sheet date. Net gains and losses on disposal and revaluation are included in the Statement of Financial Activities. The investment portfolio is held by King and Shaxson Capital as custodian trustee. Income arising from the investments is remitted directly to the charity.

h Stock

Stock of goods for resale is valued at the lower of cost or net realisable value.

i Pensions

The charity participates in a multi-employer pension plan run by the Pensions Trust. It is a money purchase pension scheme but it has some guarantees. The assets of the scheme are entirely separate to those of the charity and it not possible to identify the charity's share of the underlying assets and liabilities. The scheme is accounted for as a defined contribution scheme, and the pension cost shown represents contributions payable by the charity on behalf of the employees. The charity has no liability other than for payment of the contributions. There were outstanding contributions at the 31 December 2014 of £1,099 (2013: Nil). Further details of the scheme are given in note 16.

j Cash flow statement

The charity has taken advantage of the exemption in Financial Reporting Standard 1 from preparing a Cash Flow Statement on the grounds that it is a small entity.

Northern Friends Peace Board

**Notes to the accounts
for the year ended 31 December 2014 (continued)**

2 Incoming resources

	Unrestricted £	Restricted £	Total 2014 £	Total 2013 £
Donations and legacies				
Individuals	4,587	-	4,587	6,392
Meetings	36,546	-	36,546	30,634
Legacies	5,000	-	5,000	1,300
	46,133	-	46,133	38,326
Grants				
The Joseph Rowntree Charitable Trust	-	-	-	11,250
Margaret Bayes Legacy Fund	-	-	-	5,000
Friends Trusts	605	-	605	556
Westcroft Trust	4,500	-	4,500	3,920
	5,105	-	5,105	20,726
Fees and other income				
Workshop fees and sales	1,270	-	1,270	7,072
Other income	606	-	606	584
	1,876	-	1,876	7,656
Investment income				
Bank interest	365	-	365	247
Dividends	8,000	-	8,000	10,000
	8,365	-	8,365	10,247
Total incoming resources	£ 61,479	£ -	£ 61,479	£ 76,955

Northern Friends Peace Board

Notes to the accounts for the year ended 31 December 2014 (continued)

3 Resources expended

	Unrestricted £	Restricted £	Total 2014 £	Total 2013 £
<i>Charitable activities</i>				
Salaries	39,318	5,647	44,965	44,584
Rent, heat & light	2,072	328	2,400	2,400
Accommodation	579	267	846	323
Staff & committee development	40	-	40	50
Stationery, postage, telephone & office	3,712	558	4,270	3,919
Representatives' travel	815	82	897	1,851
Insurance	368	33	401	251
Depreciation	86	-	86	107
Cost of publications	568	-	568	2,033
Sundry	51	350	401	94
Representations & Networking	7	-	7	225
Professional fees	200	1,000	1,200	2,846
Events	-	395	395	1,949
Advertising & website	225	-	225	213
	48,041	8,660	56,701	60,845
<i>Governance costs</i>				
Examination and accountancy	1,445	-	1,445	1,448
Board expenses	1,267	52	1,319	1,712
	2,712	52	2,764	3,160
Total resources expended	£ 50,753	£ 8,712	£ 59,465	£ 64,005

Northern Friends Peace Board

Notes to the accounts for the year ended 31 December 2014 (continued)

4 Corporation tax

The charity is exempt from tax on income and gains falling within Chapter 3 of Part 11 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992 to the extent that these are applied to its charitable objects. No tax charges have arisen in the charity.

5 Net incoming/(outgoing) resources

This is stated after charging/(crediting) the following:

	2014 £	2013 £
Independent examiner's remuneration	1,445	1,448
Depreciation	86	107
	1,445	1,448
Independent examiner's remuneration comprised:		
Independent examination	230	230
Accountancy	820	820
Consultancy	60	-
Payroll	335	398
	1,445	1,448
	£ 1,445	£ 1,448

6 Staff costs

Staff costs during the year were as follows:

	2014 £	2013 £
Wages and salaries	33,070	32,550
Social security costs	1,044	2,997
Pension costs	10,851	9,037
	44,965	44,584
	£ 44,965	£ 44,584

The average number of employees during the year calculated on the basis of full time equivalents was as follows:

Co-ordinator	1.0	1.0
Administration assistant	0.2	0.2
	1.2	1.2
	1.2	1.2

The number of employees earning over £60,000 per annum excluding pension contributions was nil (2013: nil).

Northern Friends Peace Board
Notes to the accounts
for the year ended 31 December 2014 (continued)

7 Trustees' remuneration and expenses

One trustee (Robin Bowles) received payment during the year of £1,200. This was to provide office cover during sabbatical leave. (2013: One trustee received payment of £1,000.)

6 (2013: 6) trustees received travel and subsistence expenses during the year of £471 (2013: £539).

8 Fixed assets: tangible assets

	Office equipment £
Cost	
At 1 January 2014	1,228
Additions	-
Disposals	-
	£ 1,228
Depreciation	
At 1 January 2014	798
Charge for the year	86
Disposals	-
	£ 884
Net book value	
At 31 December 2014	£ 344
<i>At 31 December 2013</i>	<i>£ 430</i>

9 Fixed asset investments

	2014 £
Market value at 1 January 2014	199,567
Additional investment in year	-
Net investment gains/(losses) on revaluation and disposal	6,643
	£ 206,210
	£ 206,210

The investments comprise listed securities.

Northern Friends Peace Board

**Notes to the accounts
for the year ended 31 December 2014 (continued)**

10 Debtors	2014 £	2013 £
Prepayments	-	318
Other debtors	2,239	239
	£ 2,239	£ 557

11 Creditors: amounts falling due in less than one year	2014 £	2013 £
Accruals	2,716	2,662
	£ 2,716	£ 2,662

12 Lease commitments

The charity had the following annual commitments under non-cancellable operating leases:

	Equipment	
	2014 £	2013 £
Leases expiring in:		
One year	-	-
Two to five years	828	828
	828	828

13 Designated funds

	<i>As at 1 January 2014</i> £	New designation £	Released designation £	Transfers £	<i>As at 31 December 2014</i> £
Pension contingency	88,466	16,809	-	-	105,275
Pension deficit	68,365	-	(7,557)	-	60,808
	£ 156,831	£ 16,809	£ (7,557)	£ -	£ 166,083

Designated funds have been earmarked by the trustees for the following purposes:

Pension contingency - in the possible (but unlikely) eventuality that the pension liability on withdrawal from the scheme described in note 16 (subsection 23) crystallises in the future.

Pension deficit - the charity is required to make additional payments to the scheme to reduce the scheme deficit over 10 years, commencing in April 2013. The fund represents the total future commitment in this respect.

Northern Friends Peace Board
Notes to the accounts
for the year ended 31 December 2014 (continued)

14 Restricted funds

	<i>As at 1 January 2014</i>	Incoming resources	Outgoing resources	Transfers	As at 31 December 2014
	£	£	£	£	£
Building Peace in Diverse Britain	10,751	-	(8,712)	-	2,039
Peace Papers	1,405	-	-	-	1,405
	<u>£ 12,156</u>	<u>£ -</u>	<u>£ (8,712)</u>	<u>£ -</u>	<u>£ 3,444</u>

The restricted funds are held for the following purposes:

Building Peace in Diverse Britain - a grant from The Joseph Rowntree Charitable Trust to fund work to arrange a series of events over a three year period.

Peace Papers Project - to produce a set of materials highlighting and detailing the range or activities for peace undertaken by British Quakers.

15 Analysis of net assets between funds

Fund balances at 31 December 2014 are represented by:	Unrestricted £	Restricted £	Total £
Tangible fixed assets	344	-	344
Investments	206,210	-	206,210
Net current assets	52,935	3,444	56,379
	<u>£ 259,489</u>	<u>£ 3,444</u>	<u>£ 262,933</u>

Northern Friends Peace Board
Notes to the accounts
for the year ended 31 December 2014 (continued)

16 Pension scheme and contingent liability

- 1** The charity participates in the Pensions Trust's Growth Plan (the Plan). The Plan is funded and is not contracted out of the state scheme. The Growth Plan is a multi-employer pension plan.
- 2** Contributions paid into the Plan up to and including September 2001 were converted to defined amounts of pension payable from Normal Retirement Date. From October 2001 contributions were invested in personal funds which have a capital guarantee and which are converted to pension on retirement, either within the Plan or by the purchase of an annuity.
- 3** The rules of the Plan allow for the declaration of bonuses and/or investment credits if this is within the financial capacity of the Plan assessed on a prudent basis. Bonuses/investment credits are not guaranteed and are declared at the discretion of the Plan's Trustee.
- 4** The Trustee commissions an actuarial valuation of the Plan every three years. The purpose of the actuarial valuation is to determine the funding position of the Plan by comparing the assets with the past service liabilities as at the valuation date. Asset values are calculated by reference to market levels. Accrued past service liabilities are valued by discounting expected future benefit payments using a discount rate calculated by reference to the expected future investment returns.
- 5** The rules of the Plan give the Trustee the power to require employers to pay additional contributions in order to ensure that the statutory funding objective under the Pensions Act 2004 is met. The statutory funding objective is that a pension scheme should have sufficient assets to meet its past service liabilities, known as Technical Provisions.
- 6** If the actuarial valuation reveals a deficit, the Trustee will agree a recovery plan to eliminate the deficit over a specified period of time either by way of additional contributions from employers, investment returns or a combination of these.
- 7** The rules of the Plan state that the proportion of obligatory contributions to be borne by the member and the member's employer shall be determined by agreement between them. Such agreement shall require the employer to pay part of such contributions and may provide that the employer shall pay the whole of them.
- 8** The charity paid contributions at the rate of 11% during the accounting period. Members paid contributions at the rate of 4% during the accounting period.
- 9** As at the balance sheet date there was one active members of the Plan employed by the charity. The charity continues to offer membership of the Plan to its employees.
- 10** It is not possible in the normal course of events to identify on a reasonable and consistent basis the share of underlying assets and liabilities belonging to individual participating employers. The Plan is a multi-employer scheme, where the assets are co-mingled for investment purposes, and benefits are paid out of the Plan's total assets. Accordingly, due to the nature of the Plan, the accounting charge for the period under FRS17 represents the employer contribution payable.

Northern Friends Peace Board
Notes to the accounts
for the year ended 31 December 2014 (continued)

16 Pension scheme and contingent liability (continued)

11 The valuation results at 30 September 2011 were completed in 2012 and have been formalised. The valuation of the Plan was performed by a professionally qualified Actuary using the Projected Unit Method. The market value of the Plan's assets at the valuation date was £780 million and the Plan's Technical Provisions (i.e. past service liabilities) were £928 million. The valuation therefore, revealed a shortfall of assets compared with the value of liabilities of £148 million, equivalent to a funding level of 84%.

12 The financial assumptions underlying the valuation as at 30 September 2011 were as follows:

	% p.a.
Rate of return pre retirement	4.9
Rate of return post retirement:	
Active/Deferred	4.2
Pensioners	4.2
Bonuses on accrued benefits	0.0
Inflation: Retail Prices Index (RPI)	2.9
Inflation: Consumer Prices Index (CPI)	2.4

13 In determining the investment return assumptions the Trustee considered advice from the Scheme Actuary relating to the probability of achieving particular levels of investment return. The Trustee has incorporated an element of prudence into the pre and post retirement investment return assumptions; such that there is a 60% expectation that the return will be in excess of that assumed and a 40% chance that the return will be lower than that assumed over the next 10 years.

14 The Scheme Actuary has prepared a funding position update as at 30 September 2013. The market value of the Plan's assets at that date was £772 million and the Plan's Technical Provisions (i.e. past service liabilities) was £927 million. The update, therefore, revealed a shortfall of assets compared with the value of liabilities of £155 million, equivalent to a funding level of 83%.

15 If an actuarial valuation reveals a shortfall of assets compared to liabilities, the Trustee must prepare a recovery plan setting out the steps to be taken to make up the shortfall.

16 The Pensions Regulator has the power under Part 3 of the Pensions Act 2004 to issue scheme funding directions where it believes that the actuarial valuation assumptions and/or recovery plan are inappropriate. For example, the Regulator could require that the Trustee strengthens the actuarial assumptions (which would increase the Plan liabilities and hence impact on the recovery plan) or impose a schedule of contributions on the Plan (which would effectively amend the terms of the recovery plan). A copy of the recovery plan in respect of the September 2011 valuation was forwarded to The Pensions Regulator on 2 October 2012, as is required by legislation.

17 Following a change in legislation in September 2005 there is a potential debt on the employer that could be levied by the Trustee of the Plan and The Pensions Act 2011 has more recently altered the definition of Series 3 of the Growth Plan so that a liability arises to employers from membership of any Series except Series 4. The debt is due in the event of the employer ceasing to participate in the Plan or the Plan winding up.

Northern Friends Peace Board
Notes to the accounts
for the year ended 31 December 2014 (continued)

16 Pension scheme and contingent liability (continued)

- 18** The debt for the Plan as a whole is calculated by comparing the liabilities for the Plan (calculated on a buy-out basis i.e. the cost of securing benefits by purchasing annuity policies from an insurer, plus an allowance for expenses) with the assets of the Plan. If the liabilities exceed assets there is a buy-out debt.
- 19** The leaving employer's share of the buy-out debt is the proportion of the Plan's liability attributable to employment with the leaving employer compared to the total amount of the Plan's liabilities (relating to employment with all the currently participating employers). The leaving employer's debt therefore includes a share of any 'orphan' liabilities in respect of previously participating employers. The amount of the debt therefore depends on many factors including total Plan liabilities, Plan investment performance, the liabilities in respect of current and former employees of the employer, financial conditions at the time of the cessation event and the insurance buy-out market. Therefore, the amounts of debt can be volatile over time.
- 20** When an employer withdraws from a multi-employer defined benefit pension scheme which is in deficit, the employer is required by law to pay its share of the deficit, calculated on a statutory basis (known as the buy-out basis). Due to a change in the definition of money purchase contained in the Pensions Act 2011 the calculation basis that applies to the Growth Plan will be amended to include Series 3 liabilities in the calculation of an employer's debt on withdrawal.
- 21** The Pensions Act 2011 also proposed regulations which will make "consequential or transitional provisions to avoid adverse consequences". Should an employer withdraw prior to the regulations coming into force (expected to be at the end of July 2014), they should contact The Pensions Trust to check whether the regulations could affect their debt on withdrawal calculation.
- 22** The Growth Plan is a "last man standing" multi-employer scheme. This means that if a withdrawing employer is unable to pay its debt on withdrawal the liability is shared amongst the remaining employers. The participating employers are therefore, jointly and severally liable for the deficit in the Growth Plan. As at 30 September 2013 the total deficit calculated on the buy-out basis was £219.9m.
- 23** The charity has been notified by The Pensions Trust of the estimated employer debt on withdrawal from the Plan based on the financial position of the Plan as at 31 December 2014. As of this date the estimated employer debt for the charity was £105,275.44.
- 24** The Plan Actuary has included the following caveat with the estimate for 31 December 2014:
Given the significant upheaval in financial markets, insurers in the buy-out market are continuously reviewing their pricing bases for transactions, with different insurers taking different approaches. Our estimate of solvency funding at 31 December 2014 could be markedly different from any actual quotations and should be used with extreme caution. We recommend users of this information are told this caveat.