

Response to

“Tim Allen’s Questions about the 2014 Treasurers Report”

(My response in red – Glenn Jones, CNCC Treasurer)

I was contacted by a chartered accountant who had looked at the Treasurers Report. I believe he has a caver’s interest but has asked that his name remain private. His opening line stated “**there are fundamental issues with the accounts**”. He raised the following questions which I hope the treasurer will be happy to answer;

For information: following the agreement by the CNCC committee (several years ago) that the accounts should be verified by a volunteer CNCC member club, rather than pay the increasingly expensive costs of an accountant, Craven PC volunteered to verify the year end CNCC accounts for each CNCC AGM. The process is a little different from that of an auditors report, in that it verifies, by scrutinisation of bank statements, invoices, receipts and working spreadsheet that the report for the financial year is correct. Once accepted by the CNCC AGM, the report is then submitted to the BCA Finance Committee for reimbursement of allowable expenses.

1. There is a surplus of £1,662.55 on the I&E in year. However, cash has only gone up by £45.00. I do not understand the comment that “*cash has only gone up by £45.00*” or to what it refers. The figure of £1,662.55 has been arrived at (by the chartered accountant) by deducting the balance c/f from 2012 (£2,845.72) from the balance carried f/w to 2014 (£4,508.27). Therefore the surplus carried forward is £4,508.27.
2. There is no indication that these are prepared on an accruals (rather than cash) basis, which raises significant issues as to why the movements do not match. The CNCC day to day cash flow is reconciled monthly when the current account bank statement arrives. Income and expenditure are recorded in “Quicken” a professional accounting application (used for the last time in 2013 as it is no longer supported in Windows 7). I have created budget heads in order to group similar items of cash flow and to simplify the reporting for the AGM. For information, CNCC is not a body corporate, either as a company limited by shares, guarantee or a charity, so we (CNCC) can prepare accounts as we like.
3. It is not clear to me what the brought forward (£2,845.72) and carried forward (£4,940.24) (NB, this amount is incorrect, the c/f figure is £4,508.27) balances relate to. If the balances are the income and expenditure reserve there must be another reserve or a creditor of £15k to explain the difference in cash. I have great difficulty in accepting that these questions are written by a chartered accountant, especially an accountant that cannot recognise the transactions in a current account. The CNCC income and expenditure is managed on a day to day basis from the CNCC’s current account. The CNCC’s financial year is 1st January to 31st December. The closing balance of the 2012 financial year was £2,856.72 and was therefore carried forward as the opening balance for the 2013 financial year. During the period 01/01/13 to

31/12/13 a number of transactions (income and expenditure) passed through the CNCC current account. The total amount of income was £6,602.79 and the total amount of expenditure was £4,940.24 leaving a balance of £4,508.27 c/f as the opening balance for 2014.

4. As a minor point it isn't clear whether the resin and nozzles are correctly included – do these numbers reflect the total cash expense incurred and cash received in year, or do they take into account any transactions/agreements with SUI and BCA. **Budget heads for resin and nozzles includes all income and expenditure for those items. For information, until very recently, CNCC purchased resin and nozzles on behalf of all other BCA Regional Councils (that situation has now changed as all RCC's now have their own account with the supplier). The process was that CNCC would purchase the resin and be reimbursed by BCA. Income amounts for resin and nozzles represents those reimbursements, and expenditure amounts for resin and nozzles represents purchase of those items which CNCC are waiting to be reimbursed for (now received in 2014)**
5. What is the legal status of the CNCC regarding its tax position?
6. Is it liable for tax on any profits from the rigging guides?

The CNCC has three sources of income;

- **Annual grant funding from BCA;** for specific items such as Meetings and Secretarial and Conservation and Access
- **Naturel England;** for volunteer expenses for specific surface projects on SSSI's (repairs to stock fencing around cave entrances, clearing waste from shake holes, repairs to collapsed cave entrances etc)
- **Publications;** CNCC publishes several publications which include two Rigging Guides, a Conservation plan for a specific cave and a cave survey.

I have raised the question of CNCC's tax position several times over the years and the advice has been (from accountants) that it's a grey area and no clear recommendation provided.

Further to Tim Allens queries, during the months since the AGM, I have had three meetings with a local accountant (under a fixed time/no fee arrangement) and I have had correspondence with HMRC (exchange of 3 letters). The accountant advised that the first two items (above) would not be eligible for tax.

HMRC have now confirmed that income from the CNCC Rigging Guides is subject to Corporation Tax (20%) and they have requested that CNCC submit a tax return for 2013. To this end I will be meeting with the local accountant on June 25th. The cost for the accountant to check the CNCC accounts and submit the (on-line) tax return is estimated to be between £200.00 and £500.00 plus VAT.

I will provide a further update as necessary.

Glenn Jones

CNCC Treasurer

