

## Quota: a guide for Charges and Dioceses

Quota is the system whereby Charges (congregations) in the Scottish Episcopal Church contribute financially to the work of their Diocese and the Province. The amount payable by Charges is related to their Quota Assessable Income (QAI), that is their total reported income adjusted for permitted exclusions. On that basis, each Diocese computes the amount payable by Charges to the Diocese, and the Province computes the amount payable by Dioceses to the Province. Part of the Quota payable by Charges is retained by the Diocese, and part is remitted to the Province.

The aggregate Quota requested by the Province and by Dioceses is allocated, respectively, among Dioceses and Charges in proportion to the QAI of each Diocese and its Charges. Provincial Quota is allocated by reference to the average of QAI reported for the three years ending in the third year prior to the year of allocation (for example, Quota 2017 is allocated in proportion to QAI for 2012-2014). Diocesan Quota is allocated similarly, but each Diocese uses different methods of weighting and calculating QAI.

The computation of Quota by reference to each Charge's QAI is intended to achieve a fair and equitable sharing of costs among Charges and Dioceses. To ensure a fair distribution of Provincial Quota between Dioceses, it is therefore expected that all Dioceses and Charges will compute QAI on a common basis across the Province. To achieve this, a number of principles have been established.

The following narrative relates to the computation of QAI for the allocation of Provincial Quota. Dioceses may have different methods and principles for the allocation of Diocesan Quota.

Every year each Charge completes a Finance Schedule to calculate its Quota Assessable Income. The starting point is either (for Charges completing a receipts and payments account) Total receipts as reported to OSCR or (for Charges completing accruals-based accounts) Total income. In either case this will be the total receipts or income reported to OSCR on the annual return.

It is expected that Dioceses will undertake an impartial review of total income and exclusions reported on the Finance Schedules from each of their Charges, in conjunction with Charge accounts, and investigate with the relevant Charge items that do not appear to conform to established principles for exclusion. This is intended to ensure that across the Province Quota is allocated on a fair and consistent basis.

All of a Charge's income or receipts, from whatever source or activity, is assessable for Quota. This will therefore include, but is not limited to, the following:

- congregational giving and offerings
- other donations and fundraising
- Gift Aid claims
- investment income
- rental income
- income from trading, charitable activities and events

All sources of income are to be taken into account, but specific agreed items may then be excluded. Exclusions can only be claimed in respect of items comprised within total income or receipts. In certain cases exclusions are calculated differently according to whether a Charge prepares receipts and payments or accruals based accounts.

The following are recognised and permitted exclusions in the calculation of QAI, and can normally be claimed without reference or enquiry:

- Grants of any description received from the Province or Diocese; for example, stipend support or building grants

- Grants from public bodies or trusts and other fundraising for building restoration, renovation or extension, including any associated Gift Aid, and relevant LPWGS grant claims
- Insurance claims, when reported as a component of income
- Contributions to shared costs (such as stipend or expenses) received from other charges in a group, or a linked charge, when reported as a component of income. (The income used to fund the contributions will be part of the QAI of the giving charge and is excluded from QAI of receiving charge to prevent double counting.)
- Contributions from clergy and others towards rectory and office costs, when reported as a component of income
- The sale of property and equipment and investments; this should be the amount reported in the income statement. In the case of receipts and payments accounts it will be net proceeds received; in the case of accruals based accounts it will be the surplus arising on disposal recognised as income in the accounts.
- All legacy income
- Reasonable expenses associated with commercial or other trading activity or events, but limited to the amount of recorded income for the activity concerned
- Refunds of overpayments, when reported as a component of income

Other requested exclusions can only be recognised with the agreement of the Diocese or Province. These exclusions will generally be related to restricted purpose income funds, for example:

- Collections raised specifically for distribution to third party charitable organisations (but donations made by Vestries or Dioceses from their own funds may not be excluded)
- Fundraising directed to a special project and held as a restricted fund, such as building renovation or extension (but not regular maintenance)
- Income earned on funds held in a restricted purpose income fund may also be excluded

In all cases relating to restricted purpose income, it would be expected that the fund would relate to some special project beyond normal maintenance and that the restriction is declared by the donor or is implied from the circumstances in which the funds are raised. It would also be expected that the existence of such a fund, its purpose and its transactions, will be evident from relevant accounts.

All donations predicated only to a particular aspect of a Charge's normal running costs, for example, stipend, rectories, choirs, maintenance, flowers, and other costs should not be excluded under any circumstances.

Designated funds may not be excluded, because they do not represent restricted purpose income. Designated funds are merely a setting aside of general income for a purpose earmarked by a Vestry. The income contained in such a fund was not given for a specific purpose, and may be designated or undesignated at the will of the Vestry.

Exclusion should not be expected in respect of income held to be "additional", "special", "unexpected" or similar, nor for collection of arrears of income not brought into account previously.

Charges are reminded that Financial Reporting Standards prohibit offsetting income and expenditure, except in a very small number of specific circumstances.

Transfers of cash between bank accounts or a building society, and receipts from loans, should not be reported as income, and therefore it should not be necessary to claim exclusion for such transactions. Nor may an exclusion be claimed in respect of transfers between funds.