

PAROCHIAL CHURCH COUNCIL OF NORTHAW AND CUFFLEY

FINANCIAL ARRANGEMENTS

As adopted by the PCC on DATE

0 Purpose of this document

The purpose of this document is to ensure members of the PCC are aware of what they need to be in place to meet their responsibility for sustaining the integrity of the church's finances to resource its mission, together with the Treasurer's¹ role in achieving that.

The document is in three Sections:

1. Treasurer
2. Strategy
3. Procedures

1 Treasurer/Deputy Treasurer/Assistant Role(s)

1.1 Appointment

Treasurer: By the PCC: ideally, but not necessarily a member of the PCC.

Deputy Treasurer: If possible, a Deputy also to be appointed similarly by the PCC to provide cover and take the same responsibility in the event of absence of the Treasurer.

Note: if both the above positions are vacant the Churchwardens automatically assume responsibility as if Treasurer.

Assistant Role(s): The Treasurer's role is significant and time consuming. He/she will determine how assistance can be provided. Appointments to supporting roles, including any paid Finance Administrator positions, will be made by the Finance Committee subject to approval by the PCC.

1.2 Responsibility - Generally

1.2.1 To lead on financial matters but recognising accountability to the PCC which body sets policies and retains responsibility. Leadership involves taking initiatives, carrying out certain functions and being receptive to instructions from the vicar, churchwardens and as resolved within the PCC.

1.2.2 To report by communicating clearly and timely in/to/at Finance Committee/PCC/APCM including, as applicable, on what follows in 1.2.3.

1.2.3 To maintain knowledge of developments affecting church finances in liaison particularly with:

- (i) officers of the St Albans Diocesan Board of Finance
- (ii) Cheshunt Deanery (particularly regarding the Parish Share including review of the PCC's Share Factor)

¹ Unless it is otherwise clear from the context, the term "Treasurer" throughout this document is used to refer to the Treasurer per se and/or any other individuals to whom specific responsibilities may be delegated by the Treasurer, such as those who bank cash, record data on the computer system, reclaim tax due from Gift Aided donations, issue invoices for hire of the Undercroft. See Appendix A for the current list of roles.

- (iii) the Association of Church Accountants and Treasurers (“ACAT”)
- (iv) the Charity Commission (particularly to meet document filing requirements)
- (v) Church House Publishing (particularly for its Guidance on The Charities Act and the PCC and the Charities Statement of Recommended Practice (“SORP”))
- (vi) HMRC (as maybe applicable re payroll and other taxes)
Independent Examiner or Auditor
- (vii) bankers and investment managers
- (viii) [desirable: Third Sector Finance]

1.2.4 To respond to the PCC’s initiatives for improvement of financial resources including cost control and raising income cost beneficially and to offer his/her own ideas.

1.3 Functions – Specific

To ensure the implementation of the PCC’s established Financial Strategy (Section 2) and related Mission Action through budgetary control as follows:

1.3.1 Budgetary Control

- Ascertain (by October) the PCC’s specific plans for the following year and build a budget month by month costing the expense and its funding;
- Discuss in Finance Committee (not chaired by the Treasurer) which amends as appropriate;
- Put this budget to the PCC and, if applicable, subsequently amend;
- By 6 weeks after the end of each calendar quarter present to Finance Committee (with not less than 4 days’ notice) a monitoring report showing actual cumulative figures in comparison with budget together with a concise textual explanation of material variances (those which are not just difference in the month incurred compared with that budgeted (ie timing differences) but all such that if action is not taken, the year end outturn will be affected);
- The Finance Committee to determine potential changes in income and expenditure required to ensure an acceptable result for the year.
- Report the position at the next PCC meeting seeking decisions/confirmation of plans.

1.3.2 Year end Accounts/Reports

- Prepare draft annual accounts (compliant with the legal requirements) believed to reflect a true and fair view of all the PCC’s financial activity of the year together with a draft Financial Review section for the Annual Report and present this with not less than one week’s notice to Finance Committee for its consideration;
- Lead that discussion but encourage and respond to members’ input;
- Anticipating that it may be final, present similarly at the PCC’s meeting for approval of their Annual Report and Accounts but having first sent with not less than one week’s notice with a concise textual report to inform and encourage response at the meeting.

1.3.3 Financial Procedures

- Ensure their implementation (Section 3).

1.3.4 Financial Risks

- In conjunction with the Finance Committee and thereafter the PCC, to consider and list the financial risks to which the PCC is thought exposed;
- Then assess, each individually, the likelihood of risk arising, the degree of impact should it arise and how to mitigate each of the most significant risks.

2 Financial Strategy/Objective of the PCC

To ensure the necessary financial resources to sustain and achieve indefinitely growth in its mission.

2.1 Financial Integrity and Accountability

2.1.1 PCC electing a Finance Committee comprising:

- Treasurer
- Deputy Treasurer (if appointed)
- Secretary for Planned and Tax efficient giving
- members of the Standing Committee (at least one being a churchwarden: any others co-opted by the Finance Committee)

2.1.2 maintaining control through appropriate division of responsibilities;

2.1.3 encouraging giving by both the 'internal' church membership, others in the community and externally;

2.1.4 taking steps to identify and mitigate against risks;

2.1.5 avoidance of debt;

2.1.6 exercising budgetary control;

2.1.7 setting and complying with appropriate policies for, *inter alia*, Reserves and Investments;

2.1.8 accounting to church membership (local and wider), the Diocese of St Albans and publicly (including the Charity Commission), through the Annual Report and its attached Financial Statements, and Parochial Returns of Finance and Statistics;

2.1.9 to spend upon the mission and ministry of the church through, and within, planned annual giving and other operating income (collections/fund raising/fees/ investment income etc.);

2.1.10 To recognise validity for appeals to the outside community and grant aiding bodies only in exceptional circumstances; such appeals in the main external to the regular church membership are seen as appropriate for major costs where the public generally would be likely to feel supportive of the church e.g., major capital building related maintenance or enhancing facilities for the community; such appeals *should not therefore cause diversion of giving by church members* for the day today running of the church.

3 Financial Procedures

3.1 Accounting records

3.1.1 including the nominal ledger used on the church's accounting system (Data Developments' Finance Co-ordinator) are set out in the attached Appendix A, as are standard forms for entering data pre-entry onto the system.

3.2 Cash Counting

3.2.1 All cash should be counted by two persons present together and independent of each other and details entered on a Church banking slip. The cash and slip should be either passed to the

Treasurer for banking or locked in a church safe. The Treasurer should then check the cash, enter the details on an excel spreadsheet and bank the cash. The spreadsheet should then be emailed to the Treasurer (or delegated to Finance Administrator) for entry into the computer system and retention.

3.3 Banking

3.3.1 All monies should be banked in a timely manner (large collections within 2 working days and small collections within 7 working days). Ideally, until the money is banked it should be kept in a church safe and not in a private home as this could have insurance implications. No payments should be made from cash collections. Verger/bell ringers/choir fees which have conventionally been paid in cash should be paid by bank transfer per 3.4 below.

3.4 Release of payments

3.4.1 2 persons to authorise the release of all payments, whether by cheque (two signatories) or internet banking (two authorisers), seeing - at the time - accompanying paperwork (e.g. invoices bearing evidence of approval); those two to be any from a bank mandate (resolved by the PCC and minuted) from a pool of 4, including two members of the Finance Committee, but a signatory never to be upon a cheque or payment payable to himself or herself. See Appendix A for bank mandate.

3.5 Ordering and Purchasing

3.5.1 Those ordering and approving purchase of goods or services to be different from those making payment; however where it is not possible to separate in this manner (perhaps e.g. through internet banking/use of debit card), the request for the goods/services to be evidenced through paper trail, e.g. email to be attached (stapled) to the supplier's paper document and seen by a second signatory who confirms appropriate payment by later sighting and initialling of the item(s) on the bank statement;

3.6 Forms

3.6.1 The Treasurer to provide standard forms (e.g. spreadsheets or other cash books) for the recording of transactions particularly cash transactions (including coffee shop, fund raising events and petty cash), all of this to facilitate ease and consistency of coding and entry into the accounts. Cash should then be passed to the Treasurer (or appointed person) for banking.

3.7 Fees

3.7.1 Fees for weddings, funerals, ashes interments etc. to be placed in the Treasurer's tray for the Treasurer for banking (having where applicable received verbal or email notification); an appointee to control the actual and timely receipt of all fees (e.g. Wedding fees received not less than 4 weeks before the wedding).

3.8 Expenditure:

3.8.1 Up to £250 where possible to be agreed by any two of the Treasurer / Churchwarden / Vicar. It is recognised that there may be circumstances where prior approval is not practical.

3.8.2 Over £250 to be submitted to the Finance Committee (or Standing Committee if more practical/emergency) for *prior* approval;

3.8.3 Over £1000 to be submitted to the Finance Committee for its recommendation to the PCC (or Standing Committee if more practical/emergency) for *prior* approval;

3.8.4 A standard form "Request for expenditure of PCC funds" to be completed for expenditure in categories within 3.8.1, 3.8.2 and 3.8.3 and evidencing the result of those requests; with supporting documentation consisting where possible, of two competitive estimates for proposed expenditure in excess of £500, and of three competitive estimates for proposed expenditure in excess of £1,000.

3.8.5 No volunteer should be expected to, nor should, finance the PCC expenditure. However where expenditure is *unavoidably* incurred by individuals and reimbursement sought, a standard expenses reimbursement request form must be completed with third party documents (where available) attached; settlement to be made within 7 days. Where there is a normality of regular occurrence of cash expenditure a float may be offered to those persons, of an amount authorised by the PCC and re-reimbursed monthly upon claim so as to restore the float.

3.8.6 Suppliers to be paid according to their credit terms.

3.8.7 Fees and expenses payable to e.g. Visiting Clergy, Readers and others (e.g. organists) to be claimed on standard forms left for the Treasurer and to be settled only according to diocesan approved rates or, where applicable, PCC pre-determined amounts.

3.8.8 Cheque book(s) to be held securely by the Treasurer. Internet banking log-on information to be held securely by all those authorised to access the accounts and (if applicable) to make payments.

3.9 Fund Raising.

3.9.1 All those authorised by the Finance Committee or PCC to engage in e.g. fund raising, social events, outings or other like activity to record income and expenditure gross and *never* net of costs; a member of the Finance Committee or Treasurer to ensure appropriate financial management is in place for all events.

3.10 Giving to the church.

3.10.1 All regular church members to be encouraged to give in a pre-planned manner according to the principles of Christian Stewardship; the PCC to arrange opportunity for annual review the date of which (eg. perhaps harvest or Easter time) to be determined by the PCC;

3.10.2 Constant encouragement through publicity (including notices and user-friendly response such as envelopes/pens in pews, banker's order forms, online Donate button, QR codes etc.) to be given for UK tax payers to give through Gift Aid thus increasing the value of donations through this government support;

3.10.3 A Secretary for Planned and Tax-efficient Giving to be appointed by the PCC to promote 3.10.2 and other tax-relief related opportunities such as payroll giving, and exercise control including timely (not less frequent than quarterly) submission of claims to HMRC all in close liaison with the Treasurer;

3.10.4 Legacies to be promoted by means determined by the PCC.

3.11 Lettings.

3.11.1 The Treasurer shall implement a Debtors Control account for Undercroft bookings and Parking Permits; ensuring all lettings are invoiced and payments received.

3.12 Risks and their mitigation

3.12.1 This is an important, largely separate, consideration from the main purposes of this document which concerns a broad Financial Policy and its implementation. Risks are not just financial (some already covered above) but also can relate to matters of Governance (including compliance with Ecclesiastical and other regulations e.g. Safeguarding, Trustees' Responsibilities, and Environmental risks (e.g. public perception, reputation).

3.12.2 The risk and serious consequence of loss of financial data kept on computer systems (if unavoidably in private homes and on a private computer) to be mitigated by requirement that back-ups of systems are made, maintained and held securely in at least two locations, such that data can be restored in a timely manner in the event of any event preventing access to the master

version of any system. Log-on details to be held securely by those authorised to use the systems. See Appendix A for current arrangements.

3.12.3 The risk of only one person being familiar with the computer system for processing accounting data and preparing annual accounts etc. to be mitigated by the PCC taking steps, with the Treasurer's assistance, to appoint a suitable experienced Deputy Treasurer. If that is not possible, the Treasurer to ensure that appropriate documentation is available, and suitable role-shadowing is undertaken between members of the finance team such that the risk of serious disruption is mitigated.

3.12.4 Data retention. Once the Treasurer or Finance Administrator has entered the documents (invoices/spreadsheets/expenses/ bank statements) onto the computer system they should be filed (ideally) in a lockable fireproof metal cabinet located in the Church Office. No paperwork or cheque books should be removed from the parish environment other than after the expiry of the relevant statutory data retention period.

3.13 Avoidance of debt

Apart from Budgetary Control (1.3.1 above) indebtedness is avoided by careful cash management through:

3.13.1 Bank Accounts/Investments:

- a) A single bank current account reconciled by the Treasurer or Finance Administrator monthly within two weeks of each month end, that reconciliation being shown to a member of the Finance Committee) and, if applicable, a deposit account;
- b) Prohibition of any other current accounts at clearing banks in the PCC's name unless empowered to be opened by prior PCC resolution;
- c) Other monies to be held on appropriate cash deposit, e.g. with CCLA, managers of the Central Board of Finance of the Church of England "CBF" deposit and investment funds;
- d) All Restricted donation money to be ideally held separately from all others in individual account(s) at CBF with regular transfers to/from other deposit and current accounts quarterly (within two months of the end of each calendar quarter) to ensure restricted monies remain identified and cannot be used for other purposes: the PCC appoints an authorised person to administer the accounts at CBF; that authorised person, in conjunction with the Treasurer, if different, to report on the balances quarterly at Finance Committee/PCC.
- e) Other (not representing Restricted Funds) monies at CBF as available from time to time (ie. more than needed on bank current/deposit accounts) to earn interest for General Fund and Designated Funds with interest apportioned to those funds;
- f) The Treasurer is accountable to the Finance Committee for ensuring that monies held on current account are adequate but not excessive: e.g. a range of £7,000 - £10,000 at month end;
- g) The Treasurer is responsible for recommending to the Finance Committee when monies held at banks are higher than required and the amount considered appropriate to invest and likewise when withdrawal from investment is required giving timely notice in each instance and recognising the impact of the market.

3.14 Reserves

Maintenance of an appropriate level of Unrestricted Reserves (partly to ensure continued solvency and absence of debt) is the subject of a separate policy, as informed by the year end accounts and budget consequences. See Appendix B.

A ACCOUNTING RECORDS, STANDARD FORMS AND COMPUTER SYSTEM INCLUDING BACK-UP ARRANGEMENTS

A.1 Accounting Records

Nominal Ledger – Chart of Accounts – attached.

A.2 Standard Forms – all attached.

A.2.1 Banking sheets – General and FOST – attached

A.2.2 Fees spreadsheets – Funerals and Weddings – attached

A.2.3 Undercroft invoice - attached

A.2.4 Tax reclaim schedules – General and FOST - attached

A.2.5 Vicar's Expenses Form

A.3 Treasurer's Team – as at DATE

Treasurer *name*

Treasurer's Assistants and specific roles:

Banking *name*

Data entry *name*

Gift Aid/Planned Giving *name*

Invoicing (Undercroft) *name*

Car Park permits *name*

A.4 Authorised signatories – approved by PCC

A.4.1 Barclays bank accounts

Treasurer *name*

Churchwarden *name*

Member of Finance Committee *name*

Vicar *name*

Finance Administrator *name*

(signatory for online banking purposes)

A.4.2 CCLA accounts

Sole signatory; withdrawals are only transfers to Barclays account; no payments to external parties

Member of Finance Committee *name*

A.5 Back-up arrangements

Back-up arrangements are as follows:

A.5.1 Finance Co-ordinator

Principles: at least two copies of data held in at least two locations

Fulfilled by: master held by Finance Administrator; back up copy held on USB stick and uploaded to Dropbox, accessible by Assistant (Gift Aid)

A.5.2 Donations Co-ordinator

Principles: at least two copies of data held in at least two locations

Fulfilled by: master held by Assistant (Gift Aid); back up copy uploaded to Dropbox, accessible by Finance Administrator.

PCC OF NORTHAW AND CUFFLEY

POLICY FOR RESERVES – adopted by the PCC on DATE

RESERVES

The PCC's funds are its reserves. These are either Restricted or Unrestricted funds.

Restricted Funds are either Endowment (held in Trust) or other restricted funds:

Endowment Funds

The capital is required to be retained and the income used in accordance with the donors' wishes. The policy is that the capital is represented by investment in shares specifically designated to the Evans Bequest and Anonymous Donation fund.

Other Restricted Funds

The capital and the income earned thereon must be expended only on the purposes defined by donors at the time of making their gift. Provided it is made known to, and accepted by, prospective donors before deciding upon their gift, the PCC reserves the right to put the gifts to alternative use if:

- i) the money given exceeds the total cost of the project, or
- ii) the PCC is unable to proceed with the specified project.

In either situation the PCC would endeavour to apply the donation to as similar a purpose as possible.

The underlying assets representing all such unexpended restricted funds are to be held as readily identifiable manner in such a way as to prevent being used for other purposes. The policy is that the assets are to be held as investments and/or cash deposits designated according to the restrictions imposed.

Unrestricted funds

It is these for which a Reserves policy is, arguably, of greatest importance to define so as to sustain the church an on-going entity.

Unrestricted Funds are the reserves of the PCC that are not subject to any constraint regarding their use and are available for the general purposes of the PCC. The PCC may, from time to time, resolve to designate some of these funds for specific purposes but that does not constitute a legal requirement that they be used in that way: thus, at any time, the PCC can resolve to return them (re-designate back) to the General Unrestricted Fund.

General Fund

It is this which is the 'engine room' of the PCC's day to day financial resource for its charitable (mission) activity and must therefore *ensure sufficient monies are held freely available to sustain that activity*.

To 'sustain' means always having sufficient liquid (bank) resource to meet costs as they fall due. This commitment includes timely (monthly) payment of the Parish Share requested by the diocese of St Albans. The reserve has to recognise uneven cash flow (e.g. exceptionally high expense cost, retrospective inflow of gift aid tax recovery, and seasonal fund raising activity). The reserve has to exclude:

- i) that part of the General Fund represented by fixed tangible assets;
- ii) that part of funds designated to specific purposes for which there is a committed time scale for incurring the cost for which cash must be available.

The PCC's financial strategy is to maintain a position whereby it can confidently anticipate that its income for the General Fund from all sources (ie. from voluntary giving, from charitable activity, from fund raising and commercial, and from investments) will at least cover its budgeted General Fund expenditure. The policy is to equate the necessary freely available reserve at three months of normal budgeted General Fund expenditure, ie approximately £25,000.

RESERVES – Wording for Annual Report and Accounts

Policy for Reserves

The PCC's funds as shown on the Balance Sheet and in Note [12] are its Reserves.

The assets representing Endowment Funds and other Restricted Funds are held in part in specifically identifiable investment holdings and in part in specifically identifiable bank deposits. This is to safeguard against the risk of their use for other purposes.

Freely available reserves are those held to ensure the availability of monies to sustain the charitable (mission) activity of the church. Holding monies in reserve is to ensure against the unexpected as well as to meet costs as they fall due in recognition that much of income and of expenditure does not arise evenly through the year.

The PCC's financial strategy is to maintain a position whereby it can confidently anticipate that its income for the General Fund from all sources (ie. from voluntary giving, from charitable activity, from fund raising and commercial, and from investments) will at least cover its budgeted General Fund expenditure. The policy is to equate the necessary freely available reserve at three months of normal budgeted General Fund expenditure, ie approximately [£25,000].

PCC OF NORTHAW AND CUFFLEY**POLICY FOR INVESTMENTS – Adopted by the PCC on DATE****INVESTMENTS**

Where unrestricted funds are invested, the policy is to hold shares (units) in the Central Board of Finance of the Church of England Investment Fund “CBF” for which the manager is CCLA [Churches, Charities and Local Authorities], itself a charity.

The PCC has chosen the CBF because its Investment Committee supports the Church of England’s Ethical Investment Advisory Group “EIAG”.

The PCC’s policy is to keep investment management (and shareholdings) under review (at least annually), through discussion and correspondence. This is to ensure:

- i) continuing relevance to the PCC’s investment objective of achieving a balance between income and growth with income the dominant factor;
- ii) timely realisability in the event of anticipated need.

Cash greater than needed on the bank current account is held on deposit at CBF and, where this applies to Restricted Funds the policy is for deposit(s) to be separately designated to ensure their identification and consequent non-availability for other purposes. That principle of separate designation applies similarly to that part of the investment assets of Restricted Funds.

Recommendation for formal wording of the Policy in the Financial Review section of the Annual Report.

INVESTMENTS – Wording for Annual Report and Accounts**Policy for Investments**

Where unrestricted funds are invested, the PCC’s policy is to hold shares (units) in the Central Board of Finance of the Church of England Investment Fund “CBF”. The PCC has chosen the CBF because its Investment Committee supports the Church of England’s Ethical Investment Advisory Group “EIAG”.

The PCC’s policy is to keep investment management under review through discussion and correspondence. This is to ensure:

- i) continuing relevance to the PCC’s investment objective of achieving a balance between income and growth with income the dominant factor;
- ii) timely realisability in the event of anticipated need.