

**FINANCE POLICY**

Policy rewritten January 2021 by Richard Stovin-Bradford to be comprehensive and include sections on investment and legacies previously included in separate policies and guidelines. Approved by PCC by email: January/February 2021.

The overriding principle of this policy is that St Kea’s PCC trustees, church leaders, staff, budget owners and finance team\* members have a duty to be good stewards of all assets entrusted to the PCC, whether through giving, legacies, grants, other income or loans.

PCC trustees have shared responsibility for the church’s finances and should:

* make sure the church’s assets are used only to support or carry out its purposes;
* not take inappropriate risks with the church’s assets;
* not over-commit the church;
* take special care when investing or borrowing; and
* comply with any restrictions on spending, or selling land

The policy comprises six sections. It sets out procedures for routine activities and, where appropriate, for dealing with unexpected situations. PCC trustees, church leaders, staff, budget owners and finance team members are asked to familiarise themselves with it.

\*As at January 2021 the finance team comprises Richard Stovin-Bradford (treasurer), Lorraine Cowley (bookkeeper), Peter White (Parish Giving Officer or “PGO”) and Neil Bridle (warden). All team members are volunteers who should not have to spend time resolving queries that arise whenever procedures have not been followed. Failure to adhere to procedures may result in delayed reimbursement or rejection of claims.

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**1: EVERYDAY FINANCIAL PROCEDURES**

The procedures in this section are intended to ensure the smooth running of the church’s finances by ensuring that sufficient funds are available to meet operating expenditure, avoid administrative bottlenecks, obtain the best price consistent with quality for goods and services, and protect the church’s money from abuse, fraud, negligence or theft.

The Charity Commission requires charities to have appropriate financial controls to ensure that more than one person is involved in receiving income and authorising expenditure. This covers all payment methods.

**1.1 Control over income and expenditure**

The church can only succeed in meeting its aims if it manages its money and other resources properly. The annual budget approved by the PCC is the point of reference for financial control. It sets estimates for each line of income and upper limits for each line of expenditure. Authority for day-to-day spending is delegated to budget owners, who may be clergy, staff members or volunteers. Control is exercised when ordering or purchasing goods and services, and again when payment is requested. Payment will not be made unless the procedures, especially in relation to supporting documents for all transactions, have been followed.

**1.2 Budget owner responsibilities**

Budget owners are expected to act with reasonable care and be pro-active in their delegated role, keeping in regular contact with their team(s) and cooperating with the finance team to facilitate proper book keeping, budget and cashflow control throughout the year. Budget owners should:

* be responsible for their budget(s), keep their own budget spreadsheet(s) and, where expenditure under their budget(s) is requested by others, give approval by email ***before*** expenditure of more than £30\*;
* always ask themselves: “***Is it in the budget?***” before they act, especially before entering into long-term contracts for the supply of goods or services;
* compare suppliers to obtain the best price consistent with quality for the goods or services including, where relevant, checking Parishbuying.org.uk;
* inform suppliers up front that the church does not pay cash for goods or services;
* ensure that claim forms for reimbursement of expenditure are accurately completed (see 1.4 below);
* submit claim forms **promptly** and, to avoid rejection of claims, no later than two months after expenditure;
* review all items charged to their budget and promptly inform the treasurer of discrepancies or potential overspend; and
* nominate an alternate if they expect to be unavailable for more than two weeks, so that approvals are not held up unnecessarily.

\* This is to facilitate occasional out-of-pocket purchases, such as batteries or cables (for which claims should be made as set out in 1.4).

Budget owners may be called to account for their actions to the PCC in the event of mishandling of money received, negligence or unauthorised expenditure.

**1.3. Expenditure**

These procedures apply to **all** who spend money entrusted to the church.

Additional procedures specific to PCC of St Kea charge card holders (Associate Minister, Church Administrator and Acts435 Advocate) regarding expenditure and accounting for it are set out in 1.3.5 below.

**1.3.1 Purchasing goods or services**

Budget owners may purchase goods or services (including issuing contracts), subject to compliance with the following **two** steps:

**Step 1: Obtaining appropriate approval\*:**

|  |  |
| --- | --- |
| *Estimated value of goods or services* | *Approval required* |
| Up to £500 | Budget owner only |
| Between £500 and £1,500 | Budget owner and treasurer |
| Above £1,500 | Vicar or warden and treasurer |

\*If the goods or services form part of a project, such as building work, see instead 1.3.4 below and seek approval from the budget owner or project leader as appropriate.

**Step 2: Obtaining quotations:**

|  |  |
| --- | --- |
| *Estimated value of goods or services* | *Number of website comparisons/quotations required* |
| Between £500 and £1,500 | 2 |
| Above £1,500 | 3, or clear evidence that a range of suppliers has been considered |

Evidence of website comparisons or supplier quotations should be retained to show that best value consistent with quality has been obtained.

**1.3.2 Travel expenditure**

***Travel within the diocese***

Where private vehicles are used for travel within the diocese, prevailing clergy mileage rates will apply.

***Travel outside the diocese***

For travel outside the diocese, public transport should be used where practical, unless it would cost less and/or be quicker to use a private vehicle. Train journeys should be booked at the earliest opportunity to secure the lowest fares.

Staff and volunteers should clear travel arrangements outside the diocese with the Strategic Operations Manager before booking.

***Accommodation costs***

Where it is necessary to stay away from home on church business, the cost of a modest hotel (for example, Premier Inn/Travelodge), Bed & Breakfast or course attendee accommodation will be reimbursed on production of a receipt. Accommodation should be booked at the earliest opportunity to secure the lowest rates.

Staff and volunteers should clear accommodation arrangements with the Strategic Operations Manager before booking

***Subsistence allowance while away from home on church business***

Reasonable costs of meals will be reimbursed on production of a receipt.

***Out-of-pocket expenses while away from home on church business***

Reasonable out-of-pocket expenses will be reimbursed on production of a receipt.

**1.3.3** **Contracts for the ongoing supply of goods and services**

These contracts, such as for insurance and utility supply, should be reviewed annually or before contract expiry by the budget owner in conjunction with the Strategic Operations Manager. Copies of comparisons made should be retained by both to show that best value consistent with quality has been obtained.

**1.3.4 Building and maintenance expenditure**

***Emergency work***

Where work is, or is likely to be, subject to a claim under the church’s insurance policy, the insurer should be notified immediately by the Strategic Operations Manager or the SOM’s alternate, a reference number for the notification obtained, and its requirements strictly followed. No action should be taken that might prejudice a claim.

***Planned building maintenance***

In the case of building maintenance requiring expenditure of more than £1,500, whether on one item or cumulatively on a number of items, a schedule of works should be prepared by the budget owner, at least two estimates obtained, and a budgeted amount approved by the Standing Committee (if urgent) or the PCC. The budget owner (or a project leader nominated by the SC/PCC) should oversee the work, and assume responsibility for adherence to the approved budget, promptly advising the treasurer if there is a risk of budget overrun.

Upon completion, the budget owner or project leader will inspect the work to ensure that it has been completed to the standard and price agreed, and confirm this on the invoice before submission.

**1.3.5 Procedures for holders of charge cards: expenditure and supporting documents**

Monthly spending limits on the charge cards are set by the finance team.

***Charge cards issued to the Associate Minister and Church Administrator***

Purchases of goods or services should be made according to the schedule of values in the two-step approval procedure in 1.3.1 above. The card should be used only for:

* official church business and routine purchases (such as Youth & Children’s Ministry materials and office supplies)
* expenditure that is consistent with the roles of Associate Minister and Church Administrator, who will promptly inform the treasurer if they are asked to use the card for any other purpose.

***Charge cards issued to the Acts435 Advocate***

The card should be used only for individual purchases up to a value of £150, as approved by Acts435 and for which matched funding has previously been received from Acts435 in the PCC of St Kea current account. Any member of the finance team can confirm such receipt by email.

***Accounting for expenditure***

**All** charge card holders should:

* retain physical receipts and invoices (or print out e-equivalents) for all transactions, regardless of amount;
* staple receipts and invoices;
* write on the receipt or invoice what it is for, so there is no need to query it;
* ensure the receipt and invoice are signed by the budget owner or email permission is granted in lieu of signature; and
* place receipts and stapled invoices in the charge card folder in the finance in-tray as soon as expenditure is incurred

There is **no** need to submit a claim form for goods or services paid for with the charge card.

**1.3.6 Giving to mission partners & discretionary payments to individuals in distress**

The church makes donations to mission partners. The PCC has granted discretion to the Mission Working Group (MWG), which operates within a budget\* agreed each year by the PCC. The MWG identifies and selects beneficiaries and, where necessary, conducts due diligence on the end use of the funds following the Charity Commission’s “know your beneficiaries” principle, to avoid the funds being used for purposes other than those intended or fraud. Similarly, links between members selecting beneficiaries and the beneficiaries receiving funds should be avoided. Payments to mission partners, including nationally- and internationally-recognised organisations and registered charities, are approved by the MWG, which will provide regular updates on the beneficiaries of the funds.

\* Calculated as 10 per cent of total voluntary including Gift Aid received in the 12 months to end-September of the preceding financial year

One-off payments to individuals in distress from the MWG budget to cover the purchase of, for example, clothing and other life essentials may be made at the discretion of the vicar or MWG chairman, with purchasing overseen by a MWG member or delegated volunteer, and claims for reimbursement made according to the procedure in 1.4 below.

**1.4. Reimbursement of expenditure**

**1.4.1 Non-travel expenditure**

All claimants should:

* download and complete an expense claim form (go to www.stkea.org.uk and click on church documents), giving details of what the claim is for. The bookkeeper should not need to query anything;
* staple supporting documents to it;
* sign the form to confirm that the goods or services have been received, are of the quantity and quality ordered, and at the price(s) agreed;
* ensure the form is signed by the budget owner, or budget owner email permission is granted in lieu of signature; and
* Place the completed form and supporting documents in the finance tray in the church office or, if urgent, send with digital copies of supporting documents by email to accounts@stkea.org.uk

**1.4.2 Travel expenditure**

***Clergy***

Clergy are assumed to be conversant - and compliant - with the Diocese of Truro scheme applicable to them. Claim forms should be submitted monthly, following the same procedure as in 1.4.1 above, except that claim forms should be signed by the Strategic Operations Manager before submission.

***Staff and volunteers***

Staff should submit claim forms following the same procedure as in 1.4.1 above, except that claim forms should be signed by the Strategic Operations Manager before submission.

Volunteers should obtain approval for transport and accommodation arrangements from the Strategic Operations Manager **before** booking and, upon their return, submit claim forms following the same procedure as in 1.4.1 above, except that claim forms should be signed by the Strategic Operations Manager before submission.

**1.5. Income**

**1.5.1 Voluntary giving**

Voluntary giving is the church’s principal source of regular income. Church members are considered to be *bona fide* donors and are strongly encouraged to commit to regular planned giving, monthly or quarterly, via the Parish Giving Scheme, which reduces the finance team’s administrative burden. Giving by other online channels made available by the church is also welcomed, but can be more complex administratively. The church strongly discourages giving by cash or cheque.

The Parish Giving Officer and bookkeeper are aware of donors’ identity, which should be kept confidential.

**1.5.2 Criminal activity**

The finance team will remain alert to the risk of criminal activity, such as money laundering. If the church receives an unusually large (more than £1,000) anonymous gift or series of gifts, or a gift or series of gifts from a named but unrecognised donor - whether in the UK or another country - the Parish Giving Officer (PGO) will act swiftly to attempt to contact the source via the donor’s bank, inviting the donor to write to the PGO in confidence to confirm their *bona fides*. Where money laundering is suspected, the finance team will, in the first instance, contact the vicar, wardens and the relevant bank.

If a donor requests the return of a donation paid into the church account, whether in error or otherwise, the amount will be refunded only to the bank account from which it was received to avoid money-laundering risks.

**1.5.3 Gift Aid**

The HMRC Gift Aid scheme allows UK charities to claim a refund of basic-rate UK tax paid – or to be paid – on donations by a donor. Gift Aid is an important component of voluntary giving.

Where a donor has signed a Gift Aid declaration, the onus remains on the donor to ensure that they pay sufficient tax to cover the amount of Gift Aid reclaimed. The church’s Gift Aid declaration form makes this clear.

The PGO will collate donor information and submit Gift Aid claims to HMRC as soon as possible after the end of each quarter.

**1.5.4 Grants**

Grants for specific church projects, such as building improvements, should be accounted for correctly, recorded as restricted funds in the Sage bookkeeping system and spent only in accordance with the terms on which they were made.

**1.5.5 Legacies**

A legacy is a gift made by a will. There are three sorts of legacy: unrestricted, which can be used for the general purposes of the church; restricted, which has to be used for a specific purpose; and, less commonly, endowments, which are capital sums that provide an income to fund general or specific expenditure.

The church has a preference for legacies to be unrestricted, because:

* this affords the PCC greater flexibility in the use of funds under its influence; and
* is less complex administratively because the money becomes part of general funds.

Unrestricted legacies can still be used for a specific initiative or project at the appropriate time.

***Approved legacy policy text***

The following wording should be used on the church website and, if displayed on a noticeboard, be printed on St Kea paper with the church’s Registered Charity number:

“At St Kea, we welcome all gifts in wills, however large or small. We have a vision to see God transform lives here in Truro and beyond and the PCC’s legacy policy is to use gifts to fund growth initiatives, whether by investing in people, equipment, mission or buildings.

We consider all legacies to be a natural part of Christian stewardship. They are a way of giving thanks to God for the gifts of our lifetime. Just as planned giving helps us to meet the costs of outreach and discipleship activities, including funding our staff team, clergy, buildings, online ministry, youth and children’s ministry, our work with Christians Against Poverty and gospel partnership initiatives locally and internationally, so legacies can transform our ability to seize growth opportunities with confidence.

Just as needs and priorities change so, as St Kea PCC trustees, we would ask that you give us the flexibility to respond appropriately and quickly to change. To help us achieve this, we prefer legacies to be *unrestricted* so that they can be used for the mission of our church, and not *restricted* in a way that might limit trustees’ ability to respond appropriately.

If you are thinking of leaving a gift to St Kea in your will - or you are about to update your will - and would like to discuss your intentions in confidence, please contact Marc Baker, our vicar, on marcb@stkea.org.uk or 01872 262868, or Peter White, our Parish Giving Officer, on giving@stkea.org.uk or 01872 862849. Please also get in touch if you would like to make a gift to St Kea in memory of a loved one.

You can be confident that your gift will be used to make a real difference to the lives of others through our work at St Kea.”

***Guidelines for legacy discussions with church members***

In discussing legacies with church members, the ministry team and Parish Giving Officer will intentionally - and sensitively - encourage members to make *unrestricted* gifts in their wills. If, however, the member expresses a strong preference that the gift be used for a specific purpose, this restriction should be graciously accepted if the church can reasonably give effect to the preference and it does not limit trustees’ ability to act in the best interests of the church.

**1.5.6 Charges & fees**

Where charges (such as for church hall hire) or church fees (such as for funerals and weddings) are levied, a numbered and dated invoice should be issued promptly with a request for settlement by transfer to the PCC of St Kea bank account, giving the invoice number as a reference.

# 2. RESERVES

The Charities Act requires charities to have a purpose in holding onto money or, in this case, unrestricted reserves (“reserves”). It could affect the level of giving by church members if, in their view, the PCC held onto large sums of money without a reason for doing so.

The PCC’s policy is therefore to hold sufficient reserves to cover its normal operating expenditure\* for a specified minimum period in the event of an emergency that caused a sharp reduction in the church’s regular income. An example of such an emergency would be a sudden increase in deaths, leavers or changed financial circumstances among significant givers in the church family.

\*Normal operating expenditure includes the costs of the church’s outreach and discipleship activities, its staff team, clergy, buildings, online ministry, youth and children’s ministry, its work with Christians Against Poverty and gospel partnership initiatives locally and internationally.

**2.1 Minimum level of reserves**

The PCC will ensure that sufficient reserves are maintained to meet at least three months’ normal operating expenditure which, at £20,000 a month, means maintaining £60,000.

Reserves will be held in a notice deposit account at no more than 35 days’ notice.

**2.2 Low interest rates**

During periods of low interest rates and in the absence of alternative safe means of holding reserves, trustees prioritise the prudent practice of maintaining a minimum level of reserves over the return generated on them. See also 5 below.

# 3. BUDGET

The church can succeed in meeting its aims only if it manages its money and other resources properly. The annual budget is an essential tool for effective financial management and for ensuring that the church’s mission and ministry objectives are achieved.

The budget:

* shows givers that we care about and value their money;
* is the church’s way of allocating precious resources;
* measures income and expenditure throughout the year;
* allows financial communication to the church family on how its money is spent; and
* remains the responsibility of trustees.

**3.1 Preparation timetable**

Budget preparation starts in September, in preparation for the PCC meeting in November at which the budget is approved. The process is as follows:

**3.1.1 September**

The church’s ability to plan and operate its activities is dependent upon the level of voluntary giving by its members. Rental income is the only regular source of other income. Income from church fees and hall hire is less predictable.

Forecasting voluntary giving is the first step in preparation of the budget. The PGO, taking account of giving trends over the year and known leavers and new givers, will give the treasurer forecasts of planned regular giving for the final quarter of the year and steady-state giving for the following year. This steady-state figure forms the main income assumption in the budget.

The treasurer will invite budget owners to review expenditure in the year to date, and submit their plans and proposed budgets for the following year. Discussion, adjustments to and approval of proposed spending should be concluded by month-end.

**3.1.2 October**

The treasurer will prepare an outline budget for the SC for discussion at its October meeting.

**3.1.3 November**

The treasurer will table his proposed budget for the following year to the PCC for discussion and approval at the November PCC meeting.

Once agreed by the PCC, the budget will be distributed to budget holders.

**3.2 Monitoring**

Adherence to the approved budget will be monitored by the finance team at each month-end using the reports generated by the church’s Sage bookkeeping system. Reports showing income and expenditure monthly and cumulatively against the approved budget will be made to the SC, PCC and budget owners.

**3.2.1 Voluntary giving variances**

The PGO will inform the treasurer of significant variations in voluntary giving, with an indication of the likely effect on income for the remainder of the year or for the following year. The treasurer will report to the SC and PCC in the event of a sudden or sustained decline in voluntary giving that could constrain planned expenditure, and recommend action to mitigate the decline.

**3.2.2 Expenditure variances**

Where an overspend is predicted by the budget owner (see 1.2 above), the budget owner should alert the treasurer and explain how it will be mitigated, and a course of action agreed. If mitigation proves unsuccessful, the treasurer will in the first instance consult the SC. Depending on the financial circumstances of the church at the time and the scale of the predicted overspend, it will either be covered by reallocating funds from another budget area that appears likely to underspend in the same financial year or, if the overspend is predicted to be substantially more than 10 per cent of the amount originally budgeted, by requesting an exceptional budget increase from the PCC for that year only, drawing upon available funds if necessary.

# 4. SECURITY OF VALUABLE ASSETS

The church has a number of valuable assets, the loss of or damage to which, could have serious financial consequences. These assets should be kept secure to ensure fulfilment of trustees’ stewardship obligations and compliance with the church’s insurance policy.

**4.1 Buildings**

These should be:

* locked when not in use. The key code should be changed from time to time. Where access is by key, the key holders should be listed and informed of their responsibility to ensure the building is locked when they leave
* fully insured for all perils for the value specified after taking professional advice
* inspected annually by an appropriately-qualified or experienced person and a schedule of works prepared and costed for budget purposes.

**4.2 Moveable assets**

These should be:

* locked away where practical when not in use
* fully insured at replacement value or at valuation where they are irreplaceable
* recorded in an inventory giving value and location. The inventory should be kept and updated by the Strategic Operations Manager or Church Administrator together with the church’s insurance policy

**4.3 Cash**

The church strongly discourages cash payments and should not need to hold cash. The Church Administrator holds a PCC of St Kea charge card to cover routine Church Office expenditure so there is no need to hold petty cash. Where holding cash on church premises is unavoidable, it should be kept in a safe or locked metal cabinet.

# 5. SAFEKEEPING OF FUNDS: BANKING AND INVESTMENTS

Trustees will take reasonable precautions to ensure that:

* funds are protected from loss;
* returns on funds are maximised to the extent permitted by market conditions\*; and
* funds not held in bank accounts are invested in accordance with the Statement of Ethical Investment Policy of the Church of England’s Ethical Investment Advisory Group

\* During periods of low interest rates, interest – if any – paid by banks might not be sufficient to outpace inflation, with the result that holding funds in them could come at a cost in real terms. In the absence of alternative safe means of holding short-term funds, trustees prioritise the safekeeping of funds over the return generated on them.

From time to time, the PCC will hold more funds than are immediately required for the church’s normal operating expenditure. These funds typically include (but are not limited to):

* amounts required by the PCC’s reserves policy (see 2 above);
* restricted funds that can be used only for a specific purpose;
* designated funds allocated for expenditure on church growth initiatives, such as people, equipment, mission or buildings; and
* endowments, which are capital sums held to provide an income to fund general or specific expenditure.

Funds will mostly be in the form of cash held at banks or building societies, which must be participants in the Financial Services Compensation Scheme. The FSCS protects deposits up to an amount of £85,000 per customer.

**5.1 Banking**

Bank accounts should not be opened without the express consent of the treasurer. Accounts will be operated by the finance team on a nominated basis. Accounts that are no longer required should be closed by the treasurer, and the balance always transferred to the PCC of St Kea current account.

Funds up to an amount of £85,000 that may be required for the church’s normal operating expenditure, and any restricted or designated funds likely to be disbursed in the short term (up to one year) should be held in the PCC of St Kea current account at Lloyds Bank.

The church’s reserves and other amounts not required immediately up to an amount of £85,000 should be held in a notice account at a different financial institution into which payments may only be transferred from and back to the PCC of St Kea current account at Lloyds Bank.

There should be a pool of four authorised signatories able to operate the PCC of St Kea current account at Lloyds Bank.

The bookkeeper is the finance team member authorised to operate the accounts at Lloyds Bank from day to day and to make approved payments to and from them, subject to budget owner signature on payment requests or emailed treasurer approval according to the steps in 1.3.1 above.

The finance team will regularly review transactions in the Lloyds Bank accounts to monitor for unusual activity.

The bookkeeper will reconcile all bank account movements with the underlying receipts and invoices each month using the Sage bookkeeping system and the treasurer or another member of the finance team should sample check the accuracy of the Sage reports each month.

**5.2 Investments**

If the church receives endowments, gifts or legacies that require long-term investment to provide an income, professional advice should be sought as to the most appropriate fund manager in the circumstances although, in practice, this is likely to be CCLA.

**6. RETENTION OF DOCUMENTS**

Supporting documents for all financial transactions should be kept for varying periods according to their nature in order to comply with Charities Act, Companies Act and/or HMRC requirements. They may also be required in the event of insurance or warranty claims. In most cases, the requirement is to hold the documents for at least 6 years, but some must be held for 10 years, or permanently.

The requirement includes, and is not limited to, documents reflecting purchases of goods and services; the purchase and sale of capital items; successful quotations for capital expenditure; church fee and service income (such as hall hire); bank documents (including statements, cheque and paying-in books); Gift Aid declarations and correspondence about donations, gifts and legacies; payroll, tax coding and pension documentation; and deeds of title, planning consents and final plans of buildings, and building certifications.

In short, before a financial document - or a document that could have financial repercussions - is disposed of, the treasurer should be consulted to ensure that disposal would not breach trustees’ legal obligations.

**ENDS**