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**Kea Church**

**Financial Procedures**

These procedures have been produced and agreed by the PCC to help budget holders and all others with responsibility for financial matters understand their responsibilities. Whilst their primary task is to make it clear what should and what should not be done and the limits to delegated authority they will also give guidance in a “how to” manner.

The documents contain both policy and practice; policy is given in **bold**, practice in standard type.

Whenever you are unsure, please contact the Church Treasurer before acting.

Policies and procedures will be reviewed and revised regularly and updated as required. Updates will be made available for all concerned and budget holders will be notified.

Each procedure is shown on a separate page so please refer to the index below to guide you quickly to the appropriate place.

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***1. Trustees’ financial responsibilities***

Issued – January 2018

Revised – date

Trustees must act responsibly, reasonably and honestly. This is sometimes called the duty of prudence. Prudence is about exercising sound judgment.

**All trustees must:**

* **ensure the church’s assets are only used to support or carry out its purposes**
* **not take inappropriate risks with the church’s assets or reputation**
* **not over-commit the church**
* **take special care when investing or borrowing**
* **comply with any restrictions on spending funds**

The Church Treasurer will produce and trustees agree to put appropriate procedures and safeguards in place and take reasonable steps to ensure that these are followed. This is to reduce or avoid the risk of making the Church vulnerable to fraud or theft, or other kinds of abuse, and trustees being in breach of their duty. It will include the calling to account of budget holders and others for their actions in relation to any unauthorized expenditure.

***2. Control over income and expenditure***

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The budget is the primary document in respect of financial control. It is the upper limit for each line of expenditure and the minimum expectation in respect of income raised through activities.

Budget holders will be issued with details of their respective budget at the start of each year. Budgets will show the appropriate code and description which will be needed when the request for payment is made. They will be given a monthly report showing details of income and/or expenditure showing movements in that month and cumulative totals for the year. This is dealt with in more detail under “Budgetary Control”.

**Named budget holders are responsible for their budgets and others must not commit to or actually incur expenditure or mitigate non-giving income without the budget holder’s express written authority.**

There will be some instances where, for practical reasons or urgent/emergency situations, someone may need to incur expenditure. Wherever possible the budget holder’s authority should be obtained (probably verbally) and confirmed as soon as possible in writing (probably by e-mail).

**Expenditure**

**Control will be exercised at the point of ordering goods and services, the budget holder ensuring that there are sufficient funds available and that any future commitments are taken into account. This is particularly important in respect of long-term commitments such as the appointment of staff.**

There are two elements to purchasing.

**1. Budget holders may order goods or services (including issuing contracts) up to a maximum as given in the following table:**

|  |  |
| --- | --- |
| ***Estimated value of goods or services*** | ***Authority required*** |
| **Up to £250** | **Budget Holder** |
| **Between £250 and £500** | **Budget holder with Treasurer** |
| **Above £500** | **Vicar & Wardens on advice of Treasurer** |

**2. Prior to placing an order it is equally important to ensure the church gets the best possible prices consistent with requisite quality. This means testing the market.**

**For goods or services estimated to cost over £250, but less than £500 two quotes should be obtained and the budget holder should keep copies of these quotes. The budget holder will be required to confirm this has been undertaken when presenting the invoice for payment. Where the estimated value is in excess of £500 three written quotes must be obtained. The quotes will accompany the invoice when payment is requested.**

**Whilst buying local is a good ethic, the church’s money must be used wisely and best prices should be obtained where practical. For building works and maintenance the “buildings advisor” must be consulted and his advice taken.**

**There will be an exception to the above where the limits will not apply. This will be in respect of building and other associated specialist works especially in cases of urgency. For this type of work one detailed written quotation will be acceptable although more than one quote should be obtained if practical. The quotation will still be subject to approval by the Vicar and Wardens on advice of the Treasurer.**

**Contracts for the ongoing supply of goods and services will be reviewed annually by the budget holder in conjunction with the Strategic Operations Manager. Copies of agreed prices must be kept by both.**

**For building and other similar work where stage payments are required the value must be agreed by a suitably qualified or experienced person. This will normally be the buildings advisor. Once the work has been completed this should also be inspected by (ideally) the same person. Where works are subject to an insurance claim, the insurers must be notified immediately and their requirements strictly followed. Works of this nature may exceed budget provision and in these cases the treasurer should be notified without delay.**

On receipt of invoice the budget holder should certify that the goods or services have been received, they are of the quantity and quality ordered and the prices as agreed. When the goods have been purchased by someone other than the budget holder and that person requires re-imbursement this should be indicated on the form described below; that person must sign the form to indicate they have purchased the goods. The budget holder will also sign to indicate approval.

Form P1, “Request to make payment” (which will be published with this policy) must be completed and attached to the invoice or receipt. When completing the form both “code” and “description” boxes must be completed and match the appropriate budget description. This is to ensure the cost is charged to the correct budget. The invoice is then passed to the bookkeeper for payment. Care should be taken to ensure that any discount for prompt payment is obtained.

**Where the cost of any order for goods or services exceeds £250 the invoice should be checked and counter-signed by the Treasurer.**

**Income**

Where charges are made for “services” (for example Hall Hire) the user should be notified of the charge promptly and a record kept to provide control.

The giving element of income cannot be controlled; variations and the impact of those variations, particularly downturns will be reported as part of the monthly budget monitoring process. Where this is expected to have an adverse effect on the ability to spend as planned the Treasurer will prepare a report initially to the Standing Committee and then if necessary, to PCC members outlining proposals and actions to mitigate the position.

***3. Budgetary Control***

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**Budgetary control will be exercised in two ways the first as described above in “control over expenditure”.**

**The second element will be exercised by the finance team by way of the monthly budget monitoring reports.**

Budget holders will assist by reviewing all items charged to their respective budgets, notifying the Treasurer immediately where discrepancies are found.

Reports will be prepared at the end of each month using data recorded in Sage.

Reports will show monthly and cumulative income and expenditure. Monthly and cumulative profiled budgets will be used to provide a meaningful comparison.

**Income from giving will be monitored carefully to determine whether there are reductions, this will include looking at standing orders.**

Where givers stop – usually through death or leaving the church - the annual effect will be calculated. Equally, new giving will be taken into the forecast calculations.

**Forecast outturn will be made at the sixth month and each month thereafter.**

**Reports will be sent to the PCC and Budget Holders. A digest will be distributed to the church family**.

**Significant adverse variations will be discussed between the budget holder and the Treasurer. Where an overspend (or under recovery of income) for the year is predicted the budget holder will prepare a report outlining how this can be mitigated. Should the position be unlikely to be recovered, the Treasurer will in the first instance report to the Vicar and Wardens and, if felt necessary, forwarded to the PCC. The PCC will decide whether to increase that budget.**

**Where budget pressures occur in one area a transfer made be made from another budget (virement) where there is a high degree of certainty that an underspend will happen. This will operate within the following limits:**

|  |  |
| --- | --- |
| ***Value of virement*** | ***Authority required*** |
| **Up to £250** | **Agreement between budget holders** |
| **Between £250 and £500** | **Above with confirmation of Vicar & Wardens** |
| **Over £500** | **Above with confirmation of PCC** |

**In all cases the Treasurer will confirm that funds are available from the transferring budget. Virement between budgets will be effective for the current year only and, therefore, virement should not be used to meet longer term comittments.**

**The budget process will consist of three stages. Preceding this the Treasurer will prepare a timetable to be agreed by the Standing Committee.**

Stage 1

As the church’s ability to spend is very largely dependent on income through giving and this is sensitive the first stage is to forecast income. This forecast will be made by the Treasurer and Giving Secretary, taking account of trends and known leavers/newcomers.

This will then be discussed with the Vicar and an income estimate agreed.

The Vicar, in conjunction with the Treasurer will, taking account of cash balances and a three year cashflow forecast, agree a total expenditure envelope.

Stage 2

The Treasurer will prepare guidelines for preparing individual budgets and issue a working paper to each budget holder.

Stage 3

Once budgets have been prepared the Treasurer will prepare a summary together with a report for PCC. The report will include an updated three year outlook and recommendations in respect of fees, charges and staff salaries.

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

***4. Expenses – Travel and associated costs***

Issued – January 2018

Revised – date

**Expenses will be reimbursed for costs incurred on official church business in accordance with the approved scheme.**

A scheme already exists for Clergy but this covers a far wider range and as such is not especially suitable for lay staff and volunteers.

Clergy are conversant with the scheme provided by the Diocese and will continue to use it. The claim form has been transferred to Excel format which will facilitate automatic calculation and totaling. This should be completed on a monthly basis and, together with any invoices or receipts, printed and passed to the Strategic Operations Manager to certify and forward for payment.

For lay staff and volunteers the following guidance should be used: -

**Travel**

**For travel by private vehicle clergy mileage rates will apply. Note this is within the diocesan area, outside of which public transport costs will be paid unless it is impractical or the number travelling together in one vehicle would cost less.**

**Public transport should be used wherever practical when this is more cost effective than mileage rates.**

**Train journeys should be booked as soon as possible to take advantage of saver fares.**

**Subsistence**

**Where travel involves being away from base overnight covering meal times reasonable costs of meals actually taken will be reimbursed. Receipts must be produced.**

**Accomodation**

**Where it is necessary to stay away from home on church business the cost of a modest hotel/BB will be reimbursed to a maximum of £60 generally and £100 in London per night. Receipts must be produced. Again advance booking should be made to obtain best prices.**

**Incidental expenses**

**Reasonable incidental expenses will also be reimbursed on production of a receipt.**

Process

A simplified claim form has been produced (Ex1) and will be published with this policy.

* Claims should be made on the appropriate travel claim form.
* All staff forms should be signed off by the Strategic Operations Manager.
* All volunteer expenses should be agreed in advance by the Strategic Operations Manager, who will approve claims.

Note: Claims made by this process are for travel and related expenses only. Where repayment for purchases made on behalf of the church are made (for example the purchase of flowers) this must be made using the form P1 as described in the policy “control over income and expenditure”.

***5. Control over financial assets***

Issued- January 2018

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**The church has a number of valuable assets and these must be safeguarded appropriately.**

**Buildings: -**

* **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.**
* **Must be fully insured for all perils for the value specified following professional advice.**
* **Should be inspected annually by an appropriately qualified or experienced person and a schedule of works prepared. This will be costed for budget purposes.**

**Portable assets:-**

* **Should, where possible, be locked away when not in use.**
* **Must be fully insured at replacement value or at valuation where they are of an “irreplaceable” nature.**
* **An inventory including value and location must be kept and updated by the operations manager (or administrative assistant). This should be kept with the appropriate insurance policy.**

**Money: -**

* **Money left in buildings must be kept in a safe of, where this is not possible, in a lockable, metal cabinet.**
* **Cash from collections must be counted by two people and recorded on the appropriate form, a copy being kept in the office.**
* **Cash must be paid into the bank as soon as possible but no later than the week following the Sunday it was received.**
* **Cash must be fully insured and reviewed annually.**

***6. Banking and investments***

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**Bank or other similar accounts (for example PayPal) will be operated by the finance team on a nominated basis.**

**Accounts may not be opened by anyone without the express consent of the Treasurer.**

**Where accounts are operated by anyone other than the finance team that person will account to the Treasurer for all activity on the account.**

**Balances on the account must be transferred to the appropriate main church bank account at least monthly.**

**Once the need for the account ceases, the account must be closed and the balance transferred as directed by the Treasurer.**

**Investments, will be managed in accordance with the specific policy as agreed by PCC.**