

## FINANCIAL POLICIES AND PROCEDURES

*These policies are to be reviewed and updated annually, usually as part of the annual budget setting process.*

### 1. RESPONSIBILITIES

- a) **PCC:** The PCC has overall responsibility for the stewardship and application of church funds. That includes any groups that come under the control of the PCC and are therefore required to abide by these policies.
- b) **Standing committee:** The PCC will delegate authority to the Standing Committee to maintain a strategic oversight of its finances, and to take any urgent decisions relating to financial matters.
- c) **Finance committee:** The PCC should offer additional support to the Treasurer via a Finance Committee. This can be called by the Treasurer to discuss issues, and make recommendations to the Standing Committee and PCC.
- d) **Treasurer:** The PCC will elect a Treasurer each year immediately after the APCM, who will have overall responsibility for handling of the church finances and advising the PCC on its financial position. The Treasurer will be either a member, or ex-officio member, of the PCC and Standing Committee. The PCC will ensure the Treasurer is equipped with the necessary software and filing facilities to enable this role to be carried out effectively. It is expected that the Treasurer will normally give good notice of his/her intention of standing down to allow for a successor to be found and inducted into the role. *The current Treasurer is Church Member: Melanie Carroll.*
- e) **Churchwarden:** The Standing Committee may appoint one of the churchwardens or another suitable person to work with the Treasurer and maintain oversight of the church's financial position.
- f) **Assistant treasurers:** The PCC may approve the appointment of a number of Assistant Treasurers who may take on responsibilities in relation to book-keeping, maintaining Gift Aid records, counting and banking collections etc. The Church Wardens will act as *Gift Aid Secretary and handling collections.*
- g) **Budget holders:** The PCC will allocate responsibility for particular areas of expenditure to individuals providing leadership in those areas. These budget holders will then propose budget allocations each year and will monitor and approve expenditure within those budgets by other members of their teams.

### 2. BUDGET SETTING

**Annual process:** The PCC will approve an annual budget before the beginning of each financial year. Budget holders will be asked to submit requests for funding for the following year by October, allowing the Treasurer to pull together a proposed budget for discussion and, normally, for approval at a PCC meeting in November or December. Where possible, major items of expenditure foreseen for subsequent years should also be noted to allow longer-term financial and cash flow planning.

**Budgetary considerations:** In setting budgets the PCC will bear in mind:

- i. **Ethos:** Its responsibility to use money wisely and carefully, in line with the expectations of donors and church members, and in ways which will best promote the mission and ministry of the church.
- ii. **Mission Giving:** The church's commitment to allocate 10% of donated income to Mission Giving.
- iii. **Parish share:** St Michael's Church shares in the work and ministry of the Diocese of Lincoln and contributes financially through its Parish Share. The Parish Share is set by the PCC and the amount set will depend on the financial position of the church. Changes to the amount we offer each year will depend the level of giving at St Michael's. We hope to give more when we are able, but also expect that the diocese shares some of the financial risks undertaken by the PCC and may offer an amount less than the previous year. It is expected that Parish Share would be reported to the congregation soon after a decision is made.
- iv. **Maintenance requirements:** It is an important discipline to set aside enough money within our annual budget to cover the average costs of maintaining and replacing the church premises and equipment, with any unused portion being added to reserves.
- v. **Expenses:** The PCC will encourage members of the congregation to claim any expenses they incur on behalf of the church, so it can maintain an accurate understanding of the reality of the costs of running the church. If a member wishes they can of course give back the amount claimed as a donation (which may then become a donation eligible for Gift Aid).

### 3. RESERVES AND INVESTMENT POLICIES

- a) **Reserves policy:** The PCC aims to keep approximately three months running costs in reserves. This is also to cover emergency building work. To achieve this we will aim to put £1k per year into reserves from income until that level is achieved.
- b) **Restricted funds:** Money received in the form of restricted donations will be kept distinct within our accounts to ensure that money is spent only upon those restricted purposes.
- c) **Designated funds:**
  - i. **Status of designated funds:** The PCC may choose to establish designated reserves, set aside for particular purposes, but it may decide at a subsequent date to "undesignate" those funds and allocate them to the general fund or other purposes.
  - ii. **Considerations:** In agreeing the appropriate level of designated reserves the PCC will reflect in particular on the need to ensure it is in a position to carry out necessary repairs/replacements to the roof, boilers, organ, carpets, audio-visual equipment and other major works to the building. However, it is recognised that it may not be best stewardship to maintain an excessively prudent amount in reserves if that prevents the application of funds to other strategic and mission-related activity.

- d) **Cash holdings:** The PCC will agree how much of its reserves should be held in cash to fund cash flow requirements over the coming three to five years, recognising that the rate of interest return on such holdings is likely to be low.
- e) **Other investments:** Other reserves should be invested in appropriate financial vehicles, bearing in mind St Michael's charitable status, the importance of ethical investment approaches, and the level of liquidity expected to be needed. Suitable vehicles, for example, might include M&G Charifund units, or funds administered by the Charities Aid Foundation and the Central Board of Finance of the Church of England. These investments should be reviewed by the PCC on at least an annual basis.

#### 4. ACCOUNTING AND REPORTING

- a) **Book-keeping:** The Treasurer will be responsible for maintaining accurate records of the church finances, delegating activities to Assistant Treasurers as appropriate.
- b) **Reporting:** The Treasurer will report to the PCC on the church's financial position at least once a quarter, and more frequently if necessary or requested by the PCC.
- c) **Audit/independent examination:** The APCM will approve the appointment of an independent examiner or auditor each year
- d) **Approval of annual accounts:** Draft audited accounts for each year will be prepared if possible for February and a Standing Committee meeting following each year end, with the accounts formally approved for proposal to the APCM at the next PCC meeting after that. A vote will be held at the APCM to accept the previous year's audited accounts.

#### 5. INCOME

- a) **Gift Aid, standing order and envelope donations:** These will be monitored by an Assistant Treasurer, who will also handle claims from HMRC in relation to Gift Aid, and each year a letter of thanks should be issued to each donor confirming the amount received. The Parish Giving Scheme will absorb some of this responsibility for donors that have switched to it – all should be encouraged to do so.
- b) **Open collections:**
  - i. **Counting:** Where possible, these should be counted by two people together, to avoid any potential challenges about theft from the collection plate. A simple form will be used to record the total amount received in envelopes and the amount in the loose collection, as this should allow us to reclaim Gift Aid on the amounts donated even when the donors are unidentified. The amount in each individual envelope should be noted on the envelope and these should then be passed to the Gift Aid administrator. Once counted, money should be left in a bag with the form in the safe until it is taken to be banked by the Churchwarden, or Priest in Charge, or Treasurer, or other authorised person.
  - ii. **Organising the counting:** It will be the responsibility of an Assistant Treasurer to ask another current PCC member, Assistant Treasurer or a churchwarden/Treasurer to do this for each service. In the event that the official counter is not available at a service, the churchwardens or the person

presiding at the service will ensure that another appropriate person is asked to count the collection, or place the uncounted collection in the safe.

- c) **Cash receipts:** If cash is received in the post at the church office or is handed to a member of clergy or a churchwarden for a specific purpose it should be kept securely (in a safe, locked drawer or other secure place) and banked in as soon as possible. Cash should not be posted to the Treasurer or left in church except within the safe.
- d) **Stewardship reminders:** Members of the congregation will be invited to review the amounts they give, be encouraged to join the Parish Giving Scheme, and if not ensure they have signed a Gift Aid mandate during the Treasurer's report at each APCM, and during at least one other service in the course of each year. The APCM report will give an account to the congregation of how their donations have been spent.

## 6. EXPENDITURE

- a) **Payment of sums owed:** St Michael's will always endeavour to pay invoices within the credit period agreed with a supplier, as a matter of good practice. This means that all those receiving invoices for the church must pass them on, with any supporting documentation, to the Treasurer as soon as possible. To minimise transaction costs, payment by bank transfer is preferred.
- b) **Requests for payment within normal budgets:**
  - i. **Authorisation:** Normally, items of expenditure should be incurred within agreed budgets, and the relevant budget holder should request to the Treasurer that a particular item be paid or reimbursed using the correct forms and protocol.
  - ii. **Invoices:** Where an external supplier is to supply an invoice, it should be requested that invoices be made out to "The Treasurer, St Michael's Church Waddington" and sent to the agreed address *The Rectory, 1 Viking Close, Waddington, LN5 9RA*.
  - iii. **Reimbursing members of the congregation:** Where a member of the congregation has incurred an expense on behalf of the church and wishes for reimbursement, they should submit receipts or an official invoice. Requests should be passed in the first instance through the relevant budget holder for each activity, so they can be authorised as falling within the agreed budget. However, if it is unclear where responsibility sits, then claims may be submitted directly to the Treasurer (or Assistant Treasurer in the case of small amounts under £10.00). The correct expense claim with due signatures of authorisation must be used. Such reimbursements must be sought within four weeks (unless prior arrangements have been made) to allow proper monitoring of the church's financial position; this is particularly important towards the end of the financial year to ensure that the annual audited accounts are accurate. Requests should be with the Treasurer by the 24th of the month to ensure payment within that month. After that date money will be reimbursed in the following month.
  - iv. **Tendering:** Any expenditure in excess of £500 should normally be subject to a tendering process with two quotations for work/supply of goods received. In the case of expenditure in excess of £3,000 three quotations should

normally be obtained. The budget holder will be asked to justify which quotation they recommend for acceptance – but this will not necessarily always be the cheapest one: overall value for money, quality of work, and ethical considerations are all possible reasons for opting for a more expensive quotation. The Standing Committee or PCC will agree which quotation is to be accepted. If for some reason it has not been possible to obtain the number of quotations indicated above, the Standing committee or PCC may decide it is nevertheless acceptable to proceed.

- v. **Conflicts of interest:** If work is to be commissioned from a member of the congregation, a member of their family or from an organisation in which they have a direct financial interest, that person should not be involved in the process of recommending a quotation – although it is entirely acceptable that work should be done by such people if they offer the best option.
- c) **Requests for payment of unbudgeted items or where annual budget has been exceeded:**
- i. **Sums up to £300:** may be authorised by a combination of any two of the Treasurer, a churchwarden or the Priest in Charge if they consider it a justified expense.
  - ii. **Sums up to £500:** may be approved by the Standing Committee or PCC.
  - iii. **Sums in excess of £500:** must be approved by the PCC.
  - iv. **Revised budgets:** if the annual budget for a line of discretionary expenditure looks likely to be exceeded by more than the greater of £100 or 10% of the approved budget, a revised budget should be approved by the PCC.
  - v. **Cases of extreme urgency:** if an urgent item of expenditure, for example repair to the building, or a health and safety matter needs to be addressed, the Priest in Charge or a churchwarden may authorise any necessary reasonable expenditure regardless of amount, ideally with the agreement of the Treasurer. The Priest in Charge or churchwarden must report the authorisation and the reasons for it to PCC members as soon as possible, without waiting for the next PCC meeting.
- d) **Banking transactions:**
- i. **Two signatories:** All cheques or electronic payments must be signed or authorised by at least two signatories approved by the PCC. These signatories will normally be the Treasurer, Priest in Charge and churchwardens, but the PCC may authorise additional signatories if it agrees this would be helpful.
  - ii. **Conflicts of interest:** Authorised signatories should not normally be involved in the final authorisation of payments to be made to themselves or to their family members or to organisations in which they have a financial interest.

## 7. EMPLOYMENT MATTERS

- a) **Legal employer:** The PCC is not currently the legal employer of any staff, but has service contracts with a number of self employed agents for paid work. The PCC will therefore be required to authorise any substantive changes to job descriptions and

terms and conditions. The PCC will ensure annual appraisals or tenders take place as necessary, so it can be assured that legal requirements and good practice is being carried out, and would be informed if any disciplinary action or dismissal was to be undertaken, but for reasons of confidentiality the PCC will not normally see appraisal documents themselves.

- b) **Line managers:** The PCC will designate a line manager responsible for each paid worker and this person will ensure that proper support is given, and that their workload and hours of work are monitored (and are in line with contractual undertakings), that job descriptions remains up to date, monitor holidays or other times of absence.
- c) **Overtime:** Where additional hours are required to cope with exceptional and unforeseen needs the line manger should ensure these are authorised in advance as unbudgeted expenditure in line with paragraph 6c above.
- d) **Annual Fee review:** Contractors Fee's will be reviewed annually, with any recommended increases normally being made to the PCC in October/November each year so they can be incorporated in budgets and take effect from 1<sup>st</sup> January of the following year.

Approved by the PCC and signed on its behalf:



Date: January 2023