

**St Mary Magdalene Parish Church**  
with  
**Sale West Community Church**

**FINANCIAL ACCOUNTING & PROCEDURES**

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## **1. INTRODUCTION**

The purpose of this document is to define the financial systems used by the Parochial Church Council (PCC) and how they relate to all areas of the church.

The financial records will be kept so that the PCC can:

- a) meet its legal and other obligations, e.g. Charities Act 2011, Inland Revenue, Common Law and Church Accounting Regulations.
- b) Enable the trustees to be in proper financial control of the PCC.
- c) Enable the PCC to meet the contractual obligations and requirements of funders.
- d) The Chester Diocesan Board of Finance acts as Custodian Trustee on all matters relating to land and buildings.

## **2. ARRANGEMENTS FOR ACCOUNTING AND RECORDING**

The PCC will keep proper books of accounts which will include:

- a) using Data Developments computer finance packages 'Finance Co-ordinator' and 'Donations Co-ordinator' to record and analyse all the transactions in the PCC's bank account and petty cash account. Upgrades of these packages will be purchased and used when available.
- b) using Sage 50 Payroll Real Time Information ready internet system for salaries and Schedule D numbers for freelance workers.

## **3. FINANCIAL YEAR**

The financial year will end on 31 December.

## **4. ACCOUNTING POLICIES**

### **Funds**

Unrestricted funds represent the funds of the PCC that are not subject to any restrictions regarding their use and are available for application on the general purposes of the PCC. These include funds designated for a particular purpose by the PCC.

The purpose of any restricted funds is noted in the accounts.

The accounts include transactions, assets and liabilities for which the PCC can be held responsible. They do not include the accounts of church groups that owe an affiliation to another body nor those that are informal gatherings of church members.

## **Incoming Resources**

### *Voluntary income and capital sources*

Collections are recognised when made.

Amounts receivable under covenant/Gift Aid are recognised only when honoured by the covenantor.

Income tax recoverable on covenanted or gift aid donations is recognised when claimable.

Grants and legacies to the PCC are accounted for as soon as the PCC is notified of its entitlement and the likely amount due.

Funds raised by the church fair, garden party and similar events are accounted for gross.

Sales from the church bookstalls, Café, or other activities are accounted for gross.

### *Other ordinary income*

Rental income from the letting of church premises is accounted for when earned.

Parochial fees due to the PCC for weddings, funerals etc are accounted for on an event by event basis.

### *Income from investment*

Dividends and interest are accounted for when due. Tax recoverable on such income is accrued for on the same basis.

### *Investment gains and losses*

Realised gains or losses are recognised when investments are sold. Unrealised gains or losses are accounted for on revaluation of investments at 31 December.

## **Application of Resources**

### *Grants*

Grants and donations are accounted for when paid.

## **Fixed assets**

### *Consecrated land and buildings and movable church furnishings*

Consecrated and beneficed property is excluded from the accounts by the Charities Act 2011.

No value is placed on movable church furnishings held by the churchwardens on special trust for the PCC and which require a faculty for disposal since the PCC considers this to be an inalienable property. All expenditure incurred during the year on consecrated or beneficed buildings and movable church furnishings, whether maintenance or improvement, is written off.

### *Other land and buildings*

Other land and buildings held on behalf of the PCC for its own purposes is valued at cost. No depreciation is charged against such properties but any expenditure on maintenance or minor improvement is written off as incurred. Improvement expenditure in excess of £40,000 is capitalised.

### *Other fixtures, fitting and office equipment*

Equipment used within the church premises is depreciated on a straight line basis over 4 years. Individual items with a purchase price of £3,000 or less are written off in the period in which the asset is acquired.

### *Investments*

Investments are valued at market value at 31 December.

### *Current assets*

Amounts owing to the PCC at 31 December in respect of fees, rents or other income are shown as debtors less any provision for amounts that may prove uncollectable.

Short-term deposits include cash held on deposit either with the Central Board of Finance or at the bank.

## **5. FINANCIAL MANAGEMENT & CONTROLS**

We ensure free current account banking facilities by operating our finances through several different bank accounts. These are held at the Coop, HSBC, Nat West and Nationwide BS. Money is also held on deposit at the Central Board of Finance of the Church of England.

Authorised signatories on all bank accounts are: the Vicar, Churchwardens (2) and Treasurer.

Bank mandates specify:           any one to sign on amounts up to £150  
  any two to sign on amounts over £150.

Account management:           Parish Finance Officer (non-signatory)

Details of authorisation and checking of expenditure are contained in Appendix 1 (attached)

Treasurer receives monthly back-ups of Finance Co-ordinator (bookkeeping package) and Donations Co-ordinator (recorded giving package).

Bank reconciliations are carried out monthly on HSBC & NWB, weekly on Co-op and weekly on petty cash.

All cheque books and paying in books are kept secure in the church office under the supervision of the PFO. No authorised signatory holds a cheque book or other means of making payments alone. Cash is stored in the safe out of office hours.

The business charge card is kept secure in church office under the control of PFO only. Credit limit £1,000. Paid monthly by direct debit on Co-op bank account. This card is only available for use in the church office for ordering authorised budgeted items. Purchase order forms must be completed and signed by authorised signatories (as per bank mandates) before use.

	Originator/ Prepared by	Documentation	Authorised & Signed	Actioned in Accounting System	Monthly check
<b>Bank cheque payments</b>	PFO	Invoice or purchase order form/expenses	Authorised signatures 1 x 1 <sup>st</sup> Auth + 1 x 2 <sup>nd</sup> Auth and 1 <sup>st</sup> check	PFO 2 <sup>nd</sup> check	
<b>Bank direct debits and standing orders</b>	PFO (with check by N Elston re all contracts)	Direct Debit/Standing order authority slip with details of annual charge/donation	Authorised signatures 1 x 1 <sup>st</sup> Auth + 1 x 2 <sup>nd</sup> Auth and 1 <sup>st</sup> check	PFO 2 <sup>nd</sup> check	
<b>Salaries (a)</b>	PFO on HMRC Basic PAYE Tool internet system/excel spreadsheet	Printout – excel spreadsheet showing detailed workings of all deductions net pay due and payments due to HMRC. Total of each is transferred from HSBC account to HSBC Church Accounting Services.	Authorised signatures 1 x 1 <sup>st</sup> Auth + 1 x 2 <sup>nd</sup> Auth and 1 <sup>st</sup> check	PFO 2 <sup>nd</sup> check	
<b>Salaries (b)</b>	PFO	Bacs payments made as per above list from HSBC Church Accounting Services.	Authorised Signatures 1 x 1 <sup>st</sup> Auth + 1 x 2 <sup>nd</sup> Auth and 1 <sup>st</sup> check	PFO 2 <sup>nd</sup> check	Treasurer Check internet statement
<b>BACS Payments (a)</b>	PFO	Invoices or purchase order forms/expenses List of items is prepared with supporting evidence/invoices and total amount to be paid. Total is transferred by cheque from Co-op or HSBC accounts to HSBC Church Accounting Services.	Authorised Signatures 1 x 1 <sup>st</sup> Auth + 1 x 2 <sup>nd</sup> Auth and 1 <sup>st</sup> check	PFO 2 <sup>nd</sup> check	
<b>BACS Payments (b)</b>	PFO	Bacs payments made as per above list from HSBC Church Accounting Services	Authorised Signatures 1 x 1 <sup>st</sup> Auth + 1 x 2 <sup>nd</sup> Auth and 1 <sup>st</sup> check	PFO 2 <sup>nd</sup> check	Treasurer Check internet statement
<b>Inter St Mary's &amp; SWCUT transactions</b>	PFO	Invoices or purchase order form	1 <sup>st</sup> signature: Vicar or Treas. (SWCUT T'tees) 2 <sup>nd</sup> signature Churchwarden (non-SWCUT T'tee) 1 x 1 <sup>st</sup> Auth + 1 x 2 <sup>nd</sup> Auth and 1 <sup>st</sup> check	PFO 2 <sup>nd</sup> check	Treasurer if Bacs payment Check on correct internet transaction
<b>Petty Cash</b> (Misc claims/payments under £100)	PFO	Receipt or other evidence of authorised expenditure	N/A	PFO	Treasurer Check on expenditure and reconciliation
<b>Dual PIN Internet A/c</b>	PFO	Invoices or purchase order form	Any two authorised signatories using confidential individual PIN numbers 1 x 1 <sup>st</sup> Auth + 1 x 2 <sup>nd</sup> Auth and 1 <sup>st</sup> check	PFO 2 <sup>nd</sup> check	
<b>Business Charge Card</b>	PFO	Authorised purchase order form	Authorised Signatures 1 x 1 <sup>st</sup> Auth + 1 x 2 <sup>nd</sup> Auth and 1 <sup>st</sup> check	PFO 2 <sup>nd</sup> check	Treasurer Final check & reconciliation on monthly statement

## **6. ROLE OF TREASURER**

The Treasurer works in close co-operation with, and provides support and advice to the Parish Finance Officer. Specific responsibilities are to:

- Guide and advise the PCC in the approval of budgets, accounts and financial statements, within a relevant policy framework.
- Keep the PCC informed about its financial duties and responsibilities.
- Advise the PCC on the financial implications of its strategic plans and key assumptions included in its operational plan and annual budget.
- Confirm that the financial resources of the PCC meet present and future needs.
- Understand the accounting procedures and key internal controls, so as to be able to assure the PCC of its financial integrity.
- Ensure that the accounts are properly audited by a qualified independent examiner, that accepted recommendations of the independent examiner are implemented, and meet the independent examiner at least once a year.
- Formally present the accounts at the AGM, drawing attention to important points.
- Monitor the PCC's investment activity and ensure its consistency with policies, aims, objectives and legal responsibilities.

## **7. ROLE OF PARISH FINANCE OFFICER**

- Record and maintain with confidentiality the computer records of church members giving and manage all aspects of stewardship including the annual Thanksgiving.
- Operate the church accounts computer package recording all receipts and payments promptly and appropriately, retaining an audit trail and evidence of all income and expenditure, and issuing cheques for payment.
- Ensure bank reconciliations are carried out at least monthly.
- Ensure bank balances are in credit and there are sufficient funds in the account to meet expenditure.
- Liaise with the Treasurer to produce reports and statistics from accounts and ensure expenditure budgets are adhered to.
- Issue invoices relating to church centre bookings and ensure these are paid. Advise Treasurer of any debts.
- Issue invoices for Pre-School Group fees as advised by their leader.
- Operate the PAYE system for all paid staff in accordance with HM Revenue & Customs regulations.
- Prepare rotas for weekly envelope counting and banking, enlisting volunteers as necessary.
- Archive annual accounting records.
- Maintain payment records and invoices on file for a period of at least three years, and archive important information and invoices for major expenses.
- Oversee the renegotiations of contracts for all the church buildings and clergy houses.
- Order stationery and consumables.
- The PFO is responsible for their safety when alone and dealing with cash in the church office by ensuring the door is locked.

## **8. ROLE OF PAROCHIAL CHURCH COUNCIL AS TRUSTEES**

- Legally, the PCC is responsible for the finances of the parish.
- The PCC decides corporately how the church's money is to be raised and

spent. This is a key mission decision as well as a financial one.

- Each PCC member is responsible for ensuring that the PCC complies with requirements of both current charity law and church accounting regulations. This should include receiving regular financial updates; approving the budget for the year; approving exceptional items of expenditure; ensuring procedures exist to appropriately approve payments and that cheques are signed by the authorised PCC members; ensuring that service offertories and other monies are appropriately supervised; generating the Annual Report & Accounts and submitting these documents to the APCM for approval, then sending them on to the Diocese and Charity Commission.
- The appointment of a qualified Independent Examiner to audit the accounts will be approved at the APCM.
- The PCC acts as the employer of the church's paid workers.

## **9. ROLE OF FINANCE COMMITTEE**

The Finance Committee is a sub-committee of the PCC. It oversees all aspects of financial planning and management of church finances and provides the PCC with recommendations and guidance on financial matters. It reviews finances thoroughly at its monthly meetings.

## **10. BUDGET SETTING**

The annual budget will be agreed by the PCC in January, at the first meeting of the year. The budget will include general running costs, training, mission, total of grants to Christian charities in the wider world, budget allowances for church activities such as youth work, extraordinary items of expenditure and staffing costs.

Prior to this, leaders of all sections of the church will have received a communication asking them to inform the Parish Finance Officer of any variation to their previous allowance.

## **11. INCOME FROM DONATIONS/STEWARDSHIP**

Personal donations including regular stewardship are recorded when received in the Donations Co-ordinator package, under the individual's account record. The various methods of payment are processed as follows:

### **a) Stewardship Envelopes**

- Envelopes received in the Sale West Community Church services are delivered by hand in a sealed packet to the Parish Finance Officer (PFO) at the church office.
- These envelopes, together with the envelopes received at St Mary's services for the period from the evening service of the previous week to the latest morning service are amalgamated, opened and counted by two people on a weekly rota basis. This is carried out on tables in the side chapel of the church.
- The value of the contents of each numbered envelope is recorded on the envelope and total cash recorded in the stewardship note books.
- The marked envelopes and cash is placed in the vestry safe.
- The PFO is responsible for drawing up an annual rota of competent, reliable volunteers to carry out this task.
- The PFO enters the figures from the envelopes in the individual records in the Donations Co-ordinator package, and the total is recorded

in Finance Co-ordinator.

- Cash and cheque total contents of envelopes are recorded on the weekly cash sheet and subsequently prepared for banking.

b) Bank Standing Orders

- On receipt of bank statements the stewardship standing orders are recorded by the PFO in individual records in the Donations Co-ordinator package. The total of each batch is recorded in Finance Co-ordinator.

c) Cheque Donations and Giving Gross of Tax gifts (eg CAF slips)

- Photocopies of cheques and CAF slips are retained for audit trail purposes. All individual named donations are recorded in Donations Co-ordinator and Finance Co-ordinator packages.

## **12. CASH COLLECTIONS**

- Cash collections from services taken at Sale West Community Church are totalled and delivered by hand in a sealed package to the PFO at the church office.
- Cash collections from St Mary's services are counted immediately after the service by the duty warden, recorded on a weekly cash sheet and locked securely in the vestry safe.

## **13. INCOME FROM SERVICE FEES**

Income received in respect of Parochial Fees as detailed on the Diocesan list are recorded in Finance Co-ordinator when received. Fees due to the Diocese are forwarded on a quarterly basis

## **14. BANKING**

After recording income from all sources, the PFO prepares a bank credit at the beginning of each week. This is deposited at the nearest HSBC bank by the person on the duty rota for that week. They are advised to transport the cash under plain cover and avoid any routine.

## **15. GIFT AID CLAIMS**

Gift Aid claims are processed on the Donations Co-ordinator on a regularly basis, either monthly or quarterly, and submitted to the Inland Revenue. Reclaimed Tax due at the end of the financial year but not yet received is recorded in the accounts as an accrual.

## **16. LEGACIES**

Legacies are recorded when received. If notification has been received before the end of the financial year but not yet received, the amount will be recorded as an accrual in the accounts.

## **17. ORDERING SUPPLIES AND CONSUMABLES**



The PFO is responsible for overseeing the ordering of office supplies and consumables, and checking that budgets are adhered to.

## **18. SALARIES AND PAYE**

The PFO operates the PAYE system for all paid staff in accordance with HM Revenue & Customs regulations using the Sage 50 Payroll system.

Monthly salary payments are made through the Bacs system.

Payroll records are retained in accordance with HM Revenue & Customs regulations.

## **19. EXPENSES AND ALLOWANCES**

Clergy allowances and expenses are agreed by the PCC at the Diocesan recommended level. Clergy and Youth Pastor must submit their detailed claim, supported by relevant receipts, to the PFO for reimbursement.

Other claims for agreed expenditure will be reimbursed only if supported by the relevant receipt or other suitable documentation.

## **20. FUNDRAISING**

Income from PCC approved fundraising events such as church fairs is recorded gross. Advertising and administrative costs are recorded as an expense item.

## **21. CHURCH CENTRE BOOKINGS AND LETTINGS**

The scale of lettings charges for room bookings in the church centre is reviewed annually and agreed by the PCC.

Church activities are not chargeable e.g. prayer meetings, alpha course.

Church organisations and church affiliated groups are charged 50% rate

Community and other bookings are charged 100% rate. A discretionary discount may be allowed for regular block bookings.

Charges for fundraising events for charitable purposes will be at the discretion of PFO based on whether or not heating will be required, and the timing of the event.

PFO is responsible for ensuring that all bookings are paid for appropriately, as per the bookings diary, invoices issued and receipts given. Receipts books are retained for audit purposes. Outstanding fees due at the end of the financial year are recorded as accruals.

## **22. ADMINISTRATION CHARGES FOR CHURCH GROUPS**

The cost of stationery and photocopying is charged up to the appropriate church group as part of their budget or running costs.

## **23. INCOME & EXPENDITURE FROM TRADING (Church Centre) & ACTIVITIES**

Income is recorded gross on all church activities (eg Café, Lunch Fellowship, 'Butterflies' Pre-School Group, Caterpillars, WTIC, Bookstalls, Church Centre) and expenditure as paid. Group leaders are responsible for the budgeting and management of their activity. The PCC is responsible for the management of the church centre usage.

Under the direction of the 'Butterflies' leader, the PFO invoices parents for all sessions and receives payments. The PFO reports any outstanding debts to the leader.

The Treasurer is part of the Butterflies Management Committee and provides the Committee with a financial report each half term.

Invoices and receipts are required for items of expenditure on all activities.

## **24. APPOINTMENT OF QUALIFIED INDEPENDENT EXAMINER**

The approval of the APCM must be given annually for the appointment of a qualified Independent Examiner to examine the annual accounts.