ESGOBAETH LLANELWY
DATGLOI EIN POTENSIAL

UNLOCKING OUR POTENTIAL
DIOCESE OF ST ASAPH

Toolkit 4

Mission Area Finance

Contents

PART ONE – CHURCH ACCOUNTING

Financial Roles and Responsibilities

Everyone who has a vote at the Mission Area Conference (MAC) is a trustee. Trustees are listed on the Charity Commission website.

<u>Trustees (member of the MAC):</u>

- Have overall control and responsibility for finance (amongst other things)
- Receive financial information at each meeting
- Ensure Share contribution is met
- Delegate powers in respect of finance to Finance Sub-committee and Church Committees (which may include setting a spending limit)
- Receive Examined accounts annually at the Easter Vestry

<u>Mission Area Treasurer (MAT)</u>

- Attends Trustee Board meetings but does not have to be a trustee (and if not a trustee, has no vote)
- Provides financial reports for the Trustee Board and Finance Sub-Committee from Finance Coordinator software
- May chair the Finance Sub-Committee or delegate this to another member
- Consolidates all financial information from churches using Finance Coordinator
- Arranges the annual independent examination on behalf of the Trustee Board and co-ordinating this with the examiners and church treasurers
- Submits accounts information to the Trustee Board and to Charity Commission as appropriate
- Reports any church default on Share to Finance Sub-Committee, the Trustee Board and Diocesan Office

<u>Church Treasurer (CT) *</u>

- Keeps financial records for all bank accounts, investments and property relating to their church on Finance Coordinator
- Provides financial information for Church Committee and Finance Sub-Committee using Finance Coordinator, sending backup files of Finance Coordinator at agreed times
- Provides supporting documentation for Independent Examination
- Agrees and pays Share contribution
- Makes payments (subject to any agreed spending limit)
- Banks money
- Immediately reports any default on Share to the MA Treasurer

- Attends Church Committee meetings
- Attends Finance Sub-Committee if appropriate

* This role may be shared:

- one person making payments, banking cash and keeping records
- the other person inputting transactions onto Finance Coordinator and producing reports

A Year in the Financial Life of a Mission Area Treasurer

<table>
<tr>
<td>JAN
Ensure all Share payments made within Diocesan deadline
Ensure all Gift Aid claims have been submitted
Church Treasurers ensure all previous year transactions are entered onto Finance Coordinator</td>
<td>FEB
Receive data from church treasurers
Consolidate church accounts once investment valuations are received
Arrange independent examination of accounts</td>
<td>MAR
Church Treasurers may present draft accounts to Church Committee</td>
<td>APR
Present previous years examined accounts to the Trustee Board at the Easter Vestry
Submit accounts and annual report to the Charity Commission by the deadline of 31st October</td>
</tr>
<tr>
<td>MAY
Submit Annual Returns for all MA churches to RB using Finance Coordinator
Ensure GASDS claims submitted</td>
<td>JUN
Ensure Share payments made by Diocesan deadline
Ensure payments made to Diocese for Shared Ministry costs, e.g. clergy expenses, water rates, insurance, CCLI and Data Developments Support</td>
<td>JUL</td>
<td>AUG</td>
</tr>
<tr>
<td colspan="3">SEPT OCT NOV
Agree Share allocation between churches for following year
Prepare budget for following year and present to MAC</td>
<td>DEC
Check status of Share payments across the MA</td>
</tr>
</table>

Day to day work of the Church Treasurer (CT) and Mission Area Treasurer (MAT)

On Finance Coordinator – Church Treasurer

a) Inputting transactions from cheque book and paying in book
b) Inputting transactions from bank statements (such as Standing Orders or BACS payments)
c) Reconciling transactions to monthly statements
d) Updating assets when annual statement is received
e) Making backups regularly
f) Sending backups regularly to the MAT
g) Producing reports for the Church Committee

All the above procedures can be found in the Finance Coordinator Training Manual.

TOP TIPS for Finance Coordinator

'Void' and 'Reverse'

If you need to delete or amend a transaction but the system will not allow this because you have already confirmed a bank reconciliation for that month, you can click on 'Reverse' instead of 'Void' within 'List transactions'. The system will generate an exact copy of your previous transaction but with all numbers reversed so that the nominal accounts involved will balance to 0.00

(Please note that usually you will find and correct errors before confirming a bank reconciliation, but it's possible that you might record income or expenditure that later turns out to be a transfer between bank accounts for example, and therefore need to delete the income or expenditure transaction.)

Transferring between bank accounts AND/OR funds

If you need to transfer money between bank accounts and/or funds on Finance Co-ordinator, please take the following action:

Click 'Transaction Assistant' and then 'Account/Fund transfers'

Click the grey button named 'Bank and fund transfers' and select one of the following options; 'Transfer between 2 bank accounts for the same fund', 'Fund transfer between 2 funds for the same bank account' or 'Transfer between 2 funds and 2 bank accounts **in the same process**'.

Record a gain or loss on investments

If your church has investments in the form of shares, you will receive quarterly or annual statements that report a gain or loss in valuation. To ensure your accounts are up to date you will need to record this gain or loss in your fixed asset valuation on Finance Co-ordinator by taking the following action:

- Click 'Transaction Assistant'
- Click 'Fixed assets'
- Click the grey button named 'Record a gain or loss on revaluation'
- Select the relevant investment account line that you need to amend.

- Type the **new valuation** in the box underneath and then type the date as a reference in the box below that
- Click on 'Next page'
- Enter the date in the relevant box.
- Select the appropriate fund by clicking the little grey button to the right of the 'Fund' box
- In the 'Amount' box, type the amount shown at the top of the screen (please note that this is the difference between the last valuation and the current valuation NOT the total new valuation you've just entered.)
- Type the date as a description in the relevant box
- Click OK
- If everything balances on screen, you can click 'Save & Post' for your audit number.

Software Solutions

New version upgrades for Finance Co-ordinator

When a new version of the software is released that requires an upgrade, please ensure that you have taken a back-up copy of your accounts. *(Please note that it is essential you exit from the Finance Co-ordinator programme before starting an upgrade.)*

Menu permissions

If you discover that some routine reports are missing from the menu (e.g. the Church in Wales annual return), then you will need to take the following action:

Click 'Admin' on the menu bar at the top of the screen, then click 'Security', then click 'Menu Permission Groups'

Click the grey button named 'Permissions', then the grey button named 'Include All', confirm you are sure you want to do this and then click the green tick

This should resolve the problem

Screen resolution problems

If you discover that you can only see the left-hand side of your reports within the preview screen, please either 'export' to a pdf document or take the following action:

Right click on the Finance Co-ordinator shortcut on your desktop, then click on 'Properties'. Go to the 'Compatibility' tab and put a tick against 'Override high DPI scaling behaviour' which is under the settings section, then click on the 'Apply' button, then click 'OK'.

This will only affect the display settings for Finance Co-ordinator and all reports should now display and print correctly.

Year End Procedures and Reports

Year-end process and timetable for Church Treasurers (Stage 1)

The tasks that Church Treasurers are required to perform on Finance Co-ordinator at year end are as follows:

- By mid-February (exact date agreed with Mission Area treasurer):
- Complete the income and expenditure transactions for each bank account
- Complete the bank reconciliations for each bank account (to match the bank statements)

- Record the gain or loss on investments (at year end only) when statement received
- Save a back-up file for these year-end accounts and send to Mission Area treasurer (on USB stick or by email) for consolidation
- Treasurers should then present draft accounts to their church committee / vestry meeting (exact date arranged by each church)
- Present 'balance sheet – detailed' and 'analysis of income and expenditure' reports for the previous year
- If required, present 'statement of financial activities (SOFA)' and 'statement of assets and liabilities by fund' reports for the previous year

(Please note that it might be helpful to have one full 'transaction listings' report for the previous year printed out for reference only as this contains all the references and descriptions etc)

Year-end process and timetable for Mission Area Treasurers

Once all the backup files have been received from the Church Treasurers, the Mission Area Treasurer should then consolidate all the church and MA accounts and save a back-up file. This can be sent to the independent examiner selected by the MA conference.

Each treasurer will need to provide supporting paperwork (e.g. bank statements, invoices paid, Sunday collection sheets or ledgers, cash payment records, legacy / grant award letters, HMRC gift aid notifications etc) which will need to be sent to the independent examiner

The independent examiner will sign off the consolidated MA accounts when any queries are resolved to their satisfaction and produce their year-end report for the trustees with relevant financial reports from Finance Co-ordinator included

Each treasurer will need to make any adjustments in Finance Co-ordinator

The Trustee Board (in May or June) will need to approve the final

After this, each treasurer will need to follow the year-end closure process on Finance Co-ordinator to lock off records for the previous year (see below).

Year-end procedure for Church Treasurers (Stage 2)

Once all adjustments have been made and the final consolidated MA accounts are approved by the Trustee Board, the MA treasurer will advise that you can proceed with 'year-end closure' on Finance Co-ordinator. To complete this you will need to take the following action:

- Click 'Utilities' on the menu bar at the top of the screen,
- click 'Year-end procedure',
- click 'Run year end' and check that the financial year 'to be processed' is the previous year that has now been completed
- Tick all seven boxes in the window
- Click the grey button named 'Process year end and lock transactions', confirming that you are sure you want to do this.

The process is now complete, and you will have continued access to the current financial year plus access to the next financial year as required. *(Please note that Finance Co-ordinator will only allow two 'open' financial years, so the year end closure process should be completed before 31st December).*

The Mission Area Treasurer (or another person appointed by the MAC) should submit the final accounts to the Charity Commission website by 31st October by posting the MA trustees annual report including the year-end report from the independent examiners on the Charity Commission website. The suggested financial reports to include in the Annual Report are:

- SOFA (and previous year if required)
- Balance sheet
- Analysis on Income and Expenditure (3rd option in SOFA menu)
- Fund Movement summary
- Statement of Assets and Liabilities by Fund

For step-by-step guidance on how to Consolidate the accounts, see Appendix 2.

Information for MATs to arrange Independent Examination

The following is an extract from 'Independent examination of charity accounts: trustees' published by the Charity Commission. It gives guidance on selecting your independent examiner. The full document can be found here https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/512665/cc31_lowink.pdf

What is independent examination?

An independent examination is a simpler form of scrutiny than an audit, but it still provides trustees, funders, beneficiaries, stakeholders and the public with an assurance that the accounts of the charity have been reviewed by an independent person. All charities with an income of more than £25,000 that opt not to have an audit must have an examination.

Whether acting as a volunteer or being paid a fee for their work, the role of the independent examiner is important, and they must follow certain steps in carrying out the examination and make a report to the trustees setting out particular matters once they have finished their examination. There is a process to be followed and separate guidance - Independent examination of charity accounts: examiners (CC32) - is available which takes the examiner through the Directions which set the procedures that the examiner must follow, explains their reporting duties and provides the examiner with practical advice at every stage.

Whilst in most cases the examiner will be reviewing receipts and payments accounts and so will not need to be a qualified accountant to carry out a proper independent examination, the examiner still needs a certain level of ability and knowledge to undertake a competent examination and to set out their report in the way that is required by the 2008 Regulations. Where gross income is more than £250,000 charity law requires the examiner to be a member of a body listed in the Charities Act.

Who can carry out an independent examination?

The charity trustees should take steps to ensure that a competent examination takes place and they will therefore consider carefully the suitability and eligibility of a prospective independent examiner.

An independent examiner as described in the Charities Act is 'an independent person who is reasonably believed by the charity trustees to have the requisite ability and practical experience to carry out a competent examination of the accounts'.

Once a charity's gross income exceeds £250,000, and for financial years ending on or after 31st March 2015, the examiner must be a person who is a member of one of the following bodies listed in the Charities Act and should be allowed by the rules of that body to undertake the role of independent examiner:

Institute of Chartered Accountants in England and Wales

Institute of Chartered Accountants of Scotland

Institute of Chartered Accountants in Ireland

Association of Chartered Certified Accountants

Association of Authorised Public Accountants

Association of Accounting Technicians

Association of International Accountants

Chartered Institute of Management Accountants

Institute of Chartered Secretaries and Administrators

Chartered Institute of Public Finance and Accountancy

Fellow of the Association of Charity Independent Examiners

Institute of Financial Accountants

Certified Public Accountants Association

Charity trustees are entitled to pay reasonable remuneration to an independent examiner for their services and if they are unable to obtain the services of a competent examiner on a voluntary basis, should be prepared to pay such remuneration and regard it as a proper cost of administering the charity.

What does a Mission Area need to do?

Look at your total income figure for the Mission Area.

If it is above £250,000 you will need to choose an Independent Examiner who belongs to one of the organisations listed above. The MAC will need to approve the choice of Examiner or they can delegate this power to the Finance Sub-committee.

It is also helpful if the Examiner understands the structure of a Mission Area and has knowledge of the Finance Coordinator software. If they do not have knowledge of the software, then the Diocesan Office can arrange for them to attend training or have a manual if preferred.

Your Examiner will need a copy of the consolidated accounts from the MAT, and they will give you a list of the supporting paperwork they need.

Mission Area Meetings

Each Trustee Board (MAC) and its sub-committees (church committees, finance and property) is encouraged to develop a method of managing the finances of the Mission Area in a way that both meets the requirements of the Charity Commission and is appropriate to the size and nature of the Mission Area. These rules can be devised by the Finance Sub-committee for ratification by the MAC. Rules and regulations for financial management should be included in the Covenant and reviewed at appropriate intervals.

Financial issues for the MAC (or delegated to the Finance Sub-committee) to consider would be:

1. Ensuring that Christian generosity and vision is prioritised
2. Agreeing Share allocation
3. Monitoring of Share payments to ensure discount is achieved
4. Monitoring that Gift Aid and GASDS is being claimed
5. Review of investment and property portfolio
6. Setting the budget
7. Setting spending limits for church committees where appropriate
8. Monitoring the financial health of all churches in the MA, working with Church Treasurers and Committees to ensure fund raising and cost cutting opportunities are maximised across the MA

Reporting to the MAC

To ensure that the trustees are kept up to date with the current financial position of the Mission Area, it is suggested that the following reports may be useful.

- Balance sheet
- Analysis on Income and Expenditure (3rd option in SOFA menu)
- Statement of Assets and Liabilities by Fund

Mission Area Bank Accounts

The Trustee Board are the trustees of a charity which consists of several churches who are also part of the charity, in that the churches deliver the outcomes of the charity. Both the Mission Area and the churches, therefore, can hold charitable bank accounts providing robust financial management systems are in place. It is for the Mission Area to determine, through the Covenant, how it wishes to control the use of bank accounts. The important message is that the Trustees cannot delegate the responsibility for the charity's finances. It can delegate operational powers to ensure that the charity runs efficiently, providing those powers are communicated to all those who will undertake the important role of using the finance to help deliver the charity's outcomes.

Name of Bank Accounts

The Mission Area will require its own bank account to receive Gift Aid and other receipts and to make payments on behalf of the churches when necessary.

The Mission Area may require the names of church bank accounts to reflect the new structure, although for most churches the simple removal of the word 'parish' or 'PCC' from the account name is sufficient.

Operating Bank Accounts

To assist you, the following is an extract from the document produced by Gov.uk 'Compliance Toolkit - Protecting Charities from Harm'. Additional notes have been added to assist you in understanding how this can apply to Mission Areas.

Trustees [members of the MA Conference] should exercise effective general control over their charity's bank accounts and make regular checks to ensure that their charity's bank accounts are operating as intended and are consistent with the internal financial records. Trustees should ensure that:

- the opening or closing of accounts should either be authorised by the whole trustee body, or if delegated [to the Finance Sub-Committee], the trustees should be informed of changes
- a list of all its bank accounts should be kept and reviewed for dormant accounts which should be closed
- the costs and benefits of the current and deposit accounts held should be regularly reviewed to ensure bank charges and/or rate of interest are competitive, and that the credit rating of the institution is acceptable
- third parties [people without delegated authority] should not be allowed to open bank accounts in the charity's name, or use the charity's bank account to receive or transfer money

Trustees (MAC Members, or delegated power to the Finance Sub-Committee) should make regular checks to ensure that their charity's bank accounts are operating as intended, and are consistent with the internal financial records. The frequency and extent of the checks will vary according to each charity's financial size and complexity and nature of its transactions; some basic checks will work effectively irrespective of the charity's size. These checks may be delegated by trustees to [the finance sub-committee] appropriate members of staff [this can include volunteers – e.g. the Church Treasurer] acting under the directions of trustees. Examples of basic checks on bank transactions include:

- making regular spot checks, and checks of all transactions above a certain value
- checking that individual daily receipts from the cash book agree with bank paying-in slips and statement credits for that day
- making sure that standing orders and/or direct debit mandates have been stopped for organisations which no longer supply services or goods to the charity
- for a sample of larger transactions, checking that they reconcile with purchase orders, delivery notes and invoices, and that all documents have been authorised at the appropriate level
- checking a sample of smaller transactions, to mitigate the risk of there being a series of low-level errors/fraud which can still add up to significant amounts
- the preparation of bank reconciliations at least monthly for all accounts, reviewed by a second person [the MAT], and the resolution of any discrepancies

Remember

- Checks should ideally be made by somebody other than the person who originally authorised or posted the transactions
- Trustees should periodically review the authorised signatory and other bank mandate instructions so that they remain appropriate and proportionate to the level of financial activity and risk

Signatories

Charities are required to have a minimum of two signatories on each bank account. We would suggest the following model.

Two signatories from the church holding the account – PLUS two signatories from the Trustee Board. You may use the trustee from the church to reduce the signatories to three. We suggest that you use the MAT as the other signatory.

This means that day-to-day business can be carried out by the two church signatories, but the trustees can have confidence that if they need to, they would be able to access the account.

Online Banking

The following banks offer online bank accounts with a minimum of dual authorisation.

- CAF Cash Account
- Triodos Charity Current Account
- Unity Trust Current Account
- Lloyds Bank Treasurers Account
- Reliance Bank Charities, Club and Society Current Account

Different accounts have different requirements. Some charge a small monthly fee (£5/6 per month), others require maintenance of a minimum balance, others have upper or lower limits on annual turnover. All the above accounts will allow dual authorisation.

Mission Area Expenses

Parsonage Water Bills

The cost of all Parsonage Water Rates within the Mission is shared across the churches in the Mission Area. This is done on the same percentage basis as the Share or as the Mission Area prefers. The Diocesan Office will pay the bills when received and recharge the full year cost to the Mission Area in March of the following year. Church Treasurers should budget for this expenditure.

Clergy Expenses

In the same way, to ensure fairness, clergy expenses are allocated to all churches in the Mission Area. See Appendix 1.

The scheme does not encompass the expenses relating to the duties of Mission Area Leaders. These will continue to be paid by the Diocesan Office. MAL expenses are NOT recharged to the Mission Area, or clergy expenses relating to Diocesan and Provincial meetings and training.

Insurance

To meet the requirements of UK Charity Law, the Mission Area will pay the annual insurance bill from Ecclesiastical Insurance Group (EIG) for all churches and applicable buildings.

This cost will be recharged by the Mission Area to the Churches. This will be on the basis of the specific liability for each building and not to reflect the Share percentage.

Christian Copyright Licensing International (CCLI)

To ensure the continuing benefits of a central contract, the Diocesan Office will pay the annual bills received from Christian Copyright Licensing International (CCLI).

This cost will be recharged to the churches in each Mission Area. This be done as per the liability for each church and not to reflect the Share percentage.

Data Development Support

This cost is met by the Diocesan Board of Finance.

Assets & Liabilities

As charity trustees, all members of the Trustee Board (MAC) are responsible for the assets and liabilities of the charity that is the Mission Area.

Funds currently held by each church (including endowments, investments and bank deposits) will be restricted funds for the use of those churches in the future, as the donors will have provided such funds, or other gifts, for the use of those particular churches, until the Trustee Board decides otherwise.

All assets and liabilities are the responsibility of the MAC, so MAC Members do need to be aware of any outstanding debts. However, as with any funds received, the debt remains with the church that incurred it.

The Assets of the Mission Area are likely to be:

1. Property (e.g. church halls, houses, land etc.) recorded as a fixed asset on Finance Coordinator
2. Investments held as shares (e.g. Rathbones, Common Investment Fund), recorded as fixed assets on Finance Coordinator
3. Investments held as cash (e.g. deposit accounts, bonds) recorded as a current asset on Finance Coordinator

The church building is owned by the Representative Body of the Church in Wales. It was never a parish asset and is not an asset of the Trustee Board.

Assets fall into three categories

a) Restricted – the asset can only be used for the purpose laid down by the donor
b) General – the asset can be used for any work of the charity
c) Designated – the asset has been set aside for a particular purpose by the MAC and is recorded in the minutes. It can be undesignated by the MAC.

Overall responsibility for maintaining the church building lies with the MAC, however, they are likely to delegate some of this responsibility to the Property Sub-committee, who will collaborate with the Church Committee. The way these committees work together will be laid down in the Covenant.

If a church building is closed and is sold, the MAC will be able to use that income for development projects across the Mission Area. Responsibility for church halls, houses and any other property lies with the MAC, however, they are likely to delegate some of this responsibility to the Property Sub-committee, who will collaborate with the Church Committee. The way these committees work together will be laid down in the Covenant.

The cost of maintaining all parsonages is paid for by the Diocesan Board of Finance (DBF) which allocates a sum of money each year from the Diocesan Budget for each Parsonage to cover repairs and improvements. The DBF appoints a Parsonage Board which raises additional money for repairs by selling old parsonages and investing in newer, more efficient properties. These new properties are more comfortable and cost effective for our clergy to live in.

Gifts and Legacies

All charities are required to deal with gifts (made during the donor's lifetime) and legacies (specified in a Will after the donor's death) according to the wishes of the donor. Donors are encouraged not to be overly specific about how they wish the money to be used, but to rely on the trustees to know how best to use such gifts.

It is important to remember that the Charity Trustees, i.e. members of the Mission Area Trustee Board (MAC) must be responsible for all the assets and liabilities of the charity. That is required under Charity Law. This does not mean that the Trustee Board can decide to pull all money into a central pot to spend as it will. The Trustee Board will manage the finances in collaboration with the Finance Sub-Committee and Church Committees. These ways of working will be set out in the Covenant which is discussed with all churches within the Mission Area.

It is recommended that each Trustee Board adopts a legacy policy Policies for a Mission Area - Diocese St. Asaph (dioceseofstasaph.org.uk). This helps potential donors understand that the Mission Area welcomes legacies. It also gives confidence around the use of any future legacies. The Diocesan website has legacy packs available to help trustees discuss and debate the issues, and how to communicate policy to people within churches in a sensitive and timely manner.

When a church receives a legacy, there are several things to consider.

i) It is the donor who decides what a gift or legacy can be used for. If the donor has restricted the money for a specific purpose then the money must be used in that way (e.g. for the church fabric, flower fund or youth work).

ii) Special permission can be sought from the Charity Commission to remove the Restriction, but this is only granted in exceptional circumstances.

iii) Gifts or a legacy left to a 'church' do not relate to the fabric of the building, but to the mission and ministry of the church. It is perfectly legal for a church to use some of this gift to contribute to the mission and ministry of the Mission Area.

If the gift is made to the former PARISH rather than a specific building then it can legitimately be used by the Trustee Board for general church purposes across the parish, which would now cover the geographical area defined in the Mission Area Decree. However, the Trustee Board would no doubt want to take into account the wishes of the donor and ensure that any benefit provided by the use of the gift (e.g. provision of ministry) is received by the communities served by the former parish.

If a donor specifies in their will that the legacy is for a specific church building, then it must be used for that purpose.

Over time it is conceivable that as old parish boundaries become forgotten, as people begin to work together to grow the churches in their Mission Area. As opportunities for mission become apparent, the Trustee Board may ask churches to contribute to projects that benefit the entire Mission Area. If the trust deed allows then the Trustee Board would be within the Law and the Constitution to ask the church to contribute.

It is always recommended that proper legal advice is sought when making a Will, but if any Mission Area requires any specific wording to be suggested to potential donors, please contact the Diocesan Registrar.

Reserves Policy

A Mission Area Reserves Policy keeps money aside as a reserve to protect your charity against drops in income or allow it to take advantage of new opportunities. Your charity's reserves can be spent on any of its aims. A charity can also choose not to hold reserves.

The Trustee Board should adopt a reserves policy to explain to others why you are setting money aside rather than spending it on your charity's aims. A template policy is available on the diocesan website at Policies for a Mission Area - Diocese St. Asaph (dioceseofstasaph.org.uk)

Your reserves policy should set out:

- how much your charity needs to hold in reserve and why
- how and when your charity's reserves can be spent
- how often the reserves policy will be reviewed

You can set aside enough money to meet a potential need, such as an unexpected drop in income. If you set aside money for a specific purpose, such as building works, make it clear that this is separate from the charity's general reserves.

What are reserves?

Reserves are that part of a charity's unrestricted funds that is freely available to spend on any of the charity's purposes. The starting point for calculating the amount of reserves held is therefore the amount of unrestricted funds held by a charity. However, some or all of the unrestricted funds of a charity may not be readily available for spending. This is because spending those funds may adversely impact on the charity's ability to deliver its aims. The items that should be excluded from reserves are:

- tangible fixed assets used to carry out the charity's activities, such as land and buildings
- programme-related investments those held solely to further the charity's purposes
- designated funds set aside to meet essential future spending, such as funding a project that could not be met from future income
- commitments that have not been provided for as a liability in the accounts

How should a reserves policy be developed?

There is no single method or approach to setting a reserves policy. The approach adopted will vary with the size, complexity of activities, legal structure and the nature of funds received and held by a charity. However, for all charities, setting a reserves policy will involve:

- consideration of the nature of the funds received and held by the charity - are the funds unrestricted or restricted income? Is an endowment an expendable endowment or permanent endowment? Understanding the nature of the funds allows trustees to identify unrestricted funds which can be spent on any purposes of the charity
- All charities need to think about uncertainties they may face in the future; they should therefore consider the need to hold some reserves to meet an unexpected call on funds or opportunities that may present themselves
- All charities need to think about their future budgets and future projects or spending plans that cannot be met from the income of a single year
- trustees choosing to adopt a 'zero level' reserves policy must say in their annual return that they have adopted such a policy and should explain why; such a policy can create heightened financial risk from the possibility of unforeseen expenditure, sudden closure,

trustee liability, a shortfall in income or an inability to control costs, unless the trustees have a workable alternative to holding reserves for addressing these risks

What level or range of reserves is required?

There is no single level, or even a range of, reserves that is right for all charities. Any target set by trustees for the level of reserves to be held should reflect the particular circumstances of the individual charity. To do this, trustees need to know why the charity should hold reserves and, having identified those needs, the trustees should consider how much should be held to meet them.

What steps should trustees take to maintain and monitor reserves at the target level?

Reserves are held to help the charity operate effectively. Trustees should keep their reserves policy and the level of reserves held under review. Trustees should also monitor the level of reserves held throughout the year. In this way trustees will be aware of the build-up of excess reserves or of reserves being unexpectedly or rapidly depleted.

More detail is available from https://www.gov.uk/government/publications/charities-and-reserves-cc19/charities-and-reserves

PART TWO – GIFT AID & GASDS (Gift Aid Small Donations Scheme)

Gift Aid can be claimed on any donation or gift, of any size, if you have a Gift Aid declaration. The declaration may be an ongoing one, on a 'visitor' envelope or a verbal declaration.

GASDS can be claimed on any cash, or contactless gift, of £30 or less, and you do not need a declaration. You can claim on eligible gifts of up to £8,000 per church, per year. It is mostly used for loose cash on the plate or contactless payments via a terminal. You can also claim on the contents of your wall box as long as the wall box isn't used for money from sales. Cheques, Standing Orders or gifts over £30 cannot form part of a GASDS claim. Before you can make a GASDS claim you have to satisfy two points:

1. You must have claimed gift aid equivalent to 10% of your GASDS claim for that year, i.e. to claim £8,000 in GASDS, you must have claimed £800 in Gift Aid. If you do not have sufficient Gift Aid to match your GASDS claim, you may be able to use matching Gift Aid from the Mission Area. Discuss this with your MAGAS before doing this. Gift Direct payments cannot be used to match with GASDS.
2. Your church must have hosted at least 6 charity events/services in the community building with at least 10 people attending. This would include services such as weddings, funerals, baptisms, carol service or events such as Christmas or summer fair etc.

Gift Direct is a scheme run by the Church in Wales to improve the cash flow of churches by enabling receipt of a gift and the corresponding gift aid every month. Givers using Gift Direct tend to give a higher amount, and they can opt to have their gift increase in line with the Retail Price Index each year if they wish. Gift Direct enables gifts to individual churches or to a Mission Area depending on the donor's wishes.

Record keeping procedures

Two people count the cash who are not related

Use the Vestry Form (see Appendix 3) to gather information about all the donations, whether from regular givers, visitors, loose cash or wall box*.

** If you use your wall box for people to pay for items they have purchased, then you cannot claim GASDS on the contents of that wall box, although some of the money may be donations.*

You can use paper or computer-based system to keep records.

<u>Regular Givers</u>

Important key is the NAME OF THE DONOR – title, first name, surname

You will need to know the first line of the address and the postcode.

List the gift by date, amount, whether cash, cheque or Standing Order

Visitors gift in envelope

Gifts **over £30** (from April 2019) or gifts made by cheque of any amount, must be entered onto the Gift Aid schedule using the full name, address, date of the gift and amount.

Gifts of **£30 or under**, made in cash or by contactless machine, can be part of the GASDS claim. This limit rose to £30 from April 2019.

General Data Protection Regulations (GDPR)

The General Data Protection Regulations protect all personal information and restricts the use of the information. All information relating to those who give to church is considered 'special category data'. This means we must be extra careful when handling such data. You should only share this information with those who have a 'legitimate interest' in it. This would normally be only the MAGAS.

You will need to complete a schedule (spreadsheet) for Gift Aid and for GASDS (the small donations scheme). You can download these spreadsheets from here https://www.gov.uk/government/publications/gift-aid-schedule-spreadsheets-to-claim-back-tax-on-donations. Once you have completed the schedule, you can save it like any other file. This means that you don't have to type in the details of regular givers each time you complete a schedule, you just open the one used previously.

You will need to send the schedule (or hand it) to the MAGAS so that the claim can be submitted. If you are carrying around a memory stick with this information on it, then you will need to take extra care – particularly if you are travelling on public transport.

If you are emailing the schedule, then you should protect the information by using a password which you will have agreed with the MAGAS.

Here are the steps you will need to take to add a password to the schedule:

1. Agree a password with the MAGAS – do this by phone or in a separate email.
2. Open the completed schedule

Using EXCEL

- Click on FILE
- Click on INFO
- Click on PROTECT WORKBOOK
- Click on ENCRYPT WITH PASSWORD
- The system will ask you to key in the agreed password, NB – this shouldn't be 'password'. It is recommended that you use both upper and lower case and a symbol for the most secure password.
- Save the file

Using LIBREOFFICE

- Click on FILE
- Click on SAVE AS
- Type in file name

- Click box next to 'Save with password'
- Click SAVE
  - The system will ask you to key in the agreed password, NB – this shouldn't be 'password'. It is recommended that you use both upper and lower case and a symbol for the most secure password.
  - Confirm the password

Gift Aid Roles and Responsibilities

Mission Area Gift Aid Secretary (MAGAS)

- Registers the Mission Area with HMRC once Charity Commission registration is complete (this is a once only requirement).
- Sets up a Government Gateway for the MA (this is a once only requirement).
- Collaborates with Church Gift Aid Secretaries to:
  - Agree an anticipated schedule of claims for each individual church.
  - Agree a password for data transmission.
- Receives completed schedule from Church Gift Aid Secretaries and makes this into a claim.
- Submits the claim via the Government Gateway, ensuring the reference identifies the relevant church.
- Alerts the MAT/Finance sub-committee to any church struggling to make a claim.

Church Gift Aid Secretary (CGAS)

- Explains the various options to new church members and enables tax efficient giving.
- Ensures that there are Gift Aid envelopes available for regular givers and visitors.
- Ensures that Gift Direct leaflets are available in church.
- Notes the giving made by numbered envelope, visitor envelope, cash collections and wall boxes on the vestry record form (or delegates this to the sidespersons).
- Keeps records of all donations.
- Forwards the details of donors and gifts to the MAGAS at agreed times using the appropriate HMRC schedule. This can be either given on a memory stick or sent by email. The data must be protected by a password known to both the Gift Aid Secretary and the MAGAS.

FAQs on Gift Aid and GASDS

Q. What should we put on our visitor envelopes?

HMRC requires that a donor is clear about the charity receiving the Gift Aid, which is the Mission Area. Therefore donation envelopes must contain the name of the Mission Area. Suggested wording for visitor envelopes is "[name of church] in the Mission Area of [name of MA]" when you are re-ordering.

Q. Can we still claim Gift Aid using our old HMRC number?

No. Your Mission Area should now be registered with HMRC and claims need to go through your Mission Area Gift Aid Secretary (MAGAS).

Q. I'm a Church Gift Aid Secretary - will I have to change <u>how</u> I do my paperwork?

No. You can keep your records as you have always done. You will need to type your claim onto a spreadsheet if you don't already do so. The schedule is then emailed to the Mission Area Gift Aid Secretary (MAGAS) and they will make the claim.

Q. I'm a Church Gift Aid Secretary - will I have to change <u>when</u> I do my paperwork?

No. You can do your claim as often as you wish. The frequency of claims should take into account that a failure to send a claim could impact on your church's cashflow.

Q. I'm the MAGAS – what paperwork do I need to complete to tell HMRC that we are now a Mission Area?

Get in touch with Tracey White at the Diocesan Office on 01745 532589 and she will send you guidance.

Q. I'm the MAGAS – do I have to collate the schedules into one claim?

No. We suggest that you use one schedule per claim and make the reference the name of the church. This will help the MAT apportion the payment to the correct church.

Q. What happens to Gift Direct?

The scheme is able to direct donations to individual churches within a Mission Area or to the Mission Area bank account. The monthly information will be sent to the church Treasurer or the MAT as appropriate.

Q. I've heard that we get less money under GASDS as a Mission Area. Is that true?

No. All churches will be counted as Community Buildings and be able to claim on up to £8,000 worth of cash or contactless donations. The Mission Area Gift Aid Secretary (MAGAS) will send in your GASDS claim in the same way as they send in your Gift Aid claim.

Q. Do we still need 10 people at a service to be able to claim GASDS?

This rule disappeared for a while but has reappeared in a slightly different format. The rules now state that <u>as long as you have 10 people at a service at least six times a year</u> (and that can include weddings, baptisms, funerals, crib service etc.), you can claim on cash or contactless payments up to £8,000 a year.

Clergy Expenses Scheme

The Clergy Expenses Scheme:

- Enables expenses to be evenly and fairly spread across all churches within the Mission Area.
- Ensures that all expenses payments are made in a timely way
- Ensures that all clergy who are due expenses receive them regardless of the current financial situation in any church
- Assists the Mission Area Treasurer with budgeting and monitoring

The Scheme relates to those expenses incurred by clergy as they carry out their roles as members of the Mission Area Shared Ministry Team (SMT). The responsibility for ensuring that clergy claim expenses, and that those expenses relate directly to their role, lies with the MAC (or its delegated representative – usually the MAT). Although the Diocesan Office will make the payments, they will make those payments assuming that it is authorised expenditure.

The pilot does not encompass the expenses relating to the duties of Mission Area Leaders. These will continue to be authorised and paid by the Diocesan Office. These MAL expenses will not be added to the MA Share.

The Process

1. MAC selects delegate to manage the clergy expenses process (this can be the Mission Area Treasurer (MAT) but does not have to be).
2. Cleric emails completed claim form monthly to the MAC delegate.
3. Cleric scans receipts, tickets or copies of household bills for heating, lighting and cleaning (sometimes called vouchers) relating to the monthly expenses claim and emails with the completed claim form.
4. Cleric retains copy of both claim form and vouchers for HMRC purposes.
5. MAC delegate checks the form and authorises payment as appropriate. Any queries to be referred to the cleric.
6. MAC delegate emails completed authorised form to Diocesan Office.
7. Form is processed and BACS payment made direct to cleric's bank account.
8. Cleric and MAC delegate are notified by email of payment.
9. Quarterly statements showing payments made and total are sent from Diocesan Office to MAC delegate and MAT.
10. Total expenses paid will be added to MA Share for the following year and will be apportioned in the same percentage as the Share.

Consolidating Accounts in a Mission Area

This guidance gives instructions on how to prepare data to send to the Mission Area Treasurer (MAT) so that the MAT can bring that data together to provide reports for the Trustee Board (MAC).

Church Treasurer

Makes a backup of the data by using File/Check data files and backup data

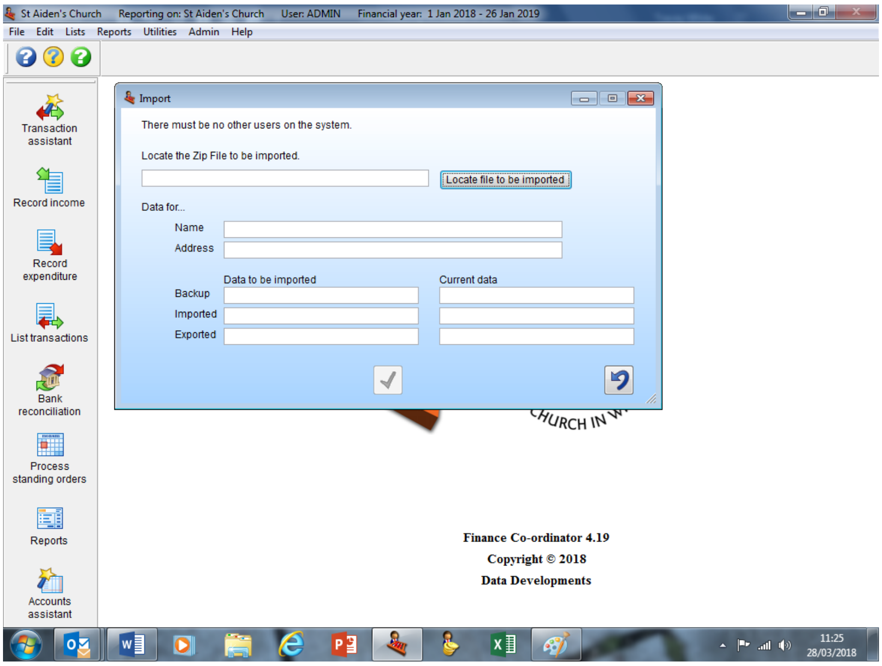
Sends to MAT by one of the following agreed methods

- Email
- Memory stick
- Workplace app

Mission Area Treasurer

Importing Data from Church Treasurers

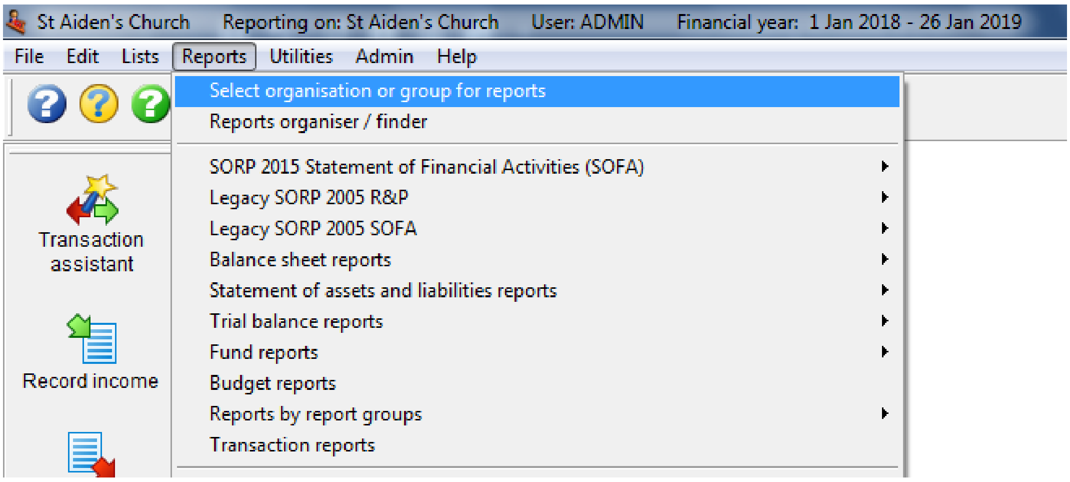
- MAT receives data from Church Treasurer in agreed format
- MAT retrieves data using Utilities/Import (note that you will only be able to do this is you have a multi church license), locate file and input details as appropriate



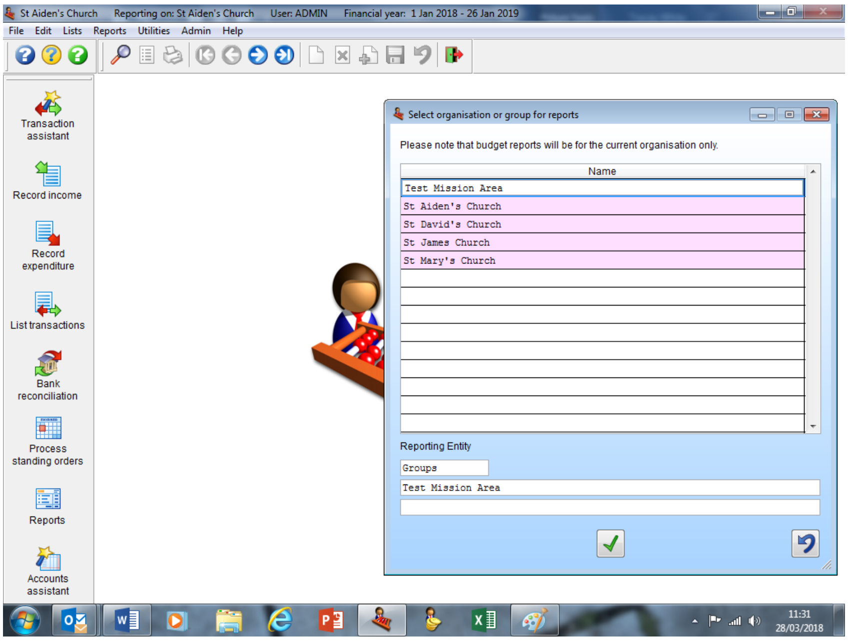
Producing Group Report (showing consolidated accounts)

Once all the data is imported, you need to tell Finance Coordinator that you wish to work on the Mission Area data.

Click on Reports/Select organisation or group for reports

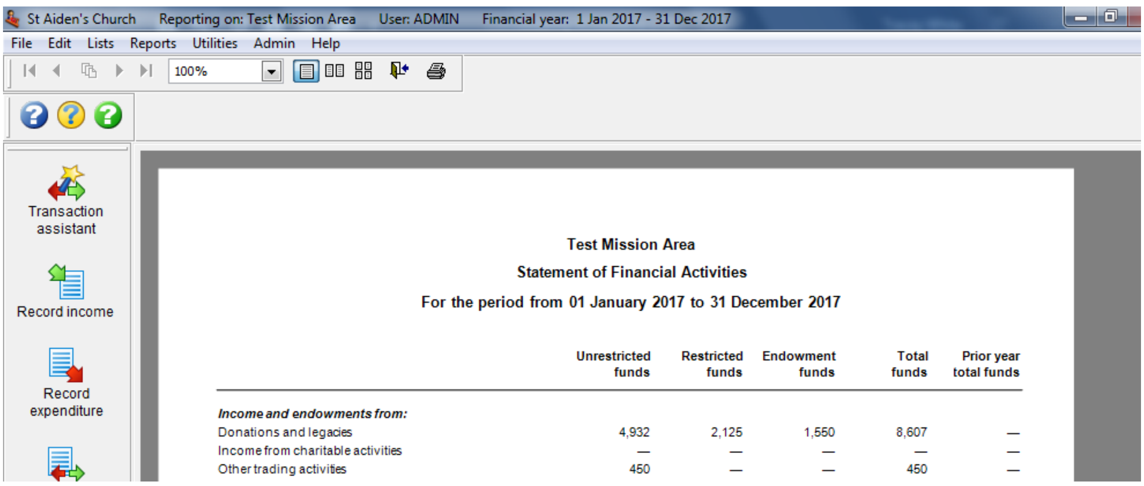


A list of possible groups will appear and you should see your Mission Area group listed. If you have not set up a Mission Area group, please follow the instructions on page 3 onwards.



Click on the Mission Area group and the green tick.

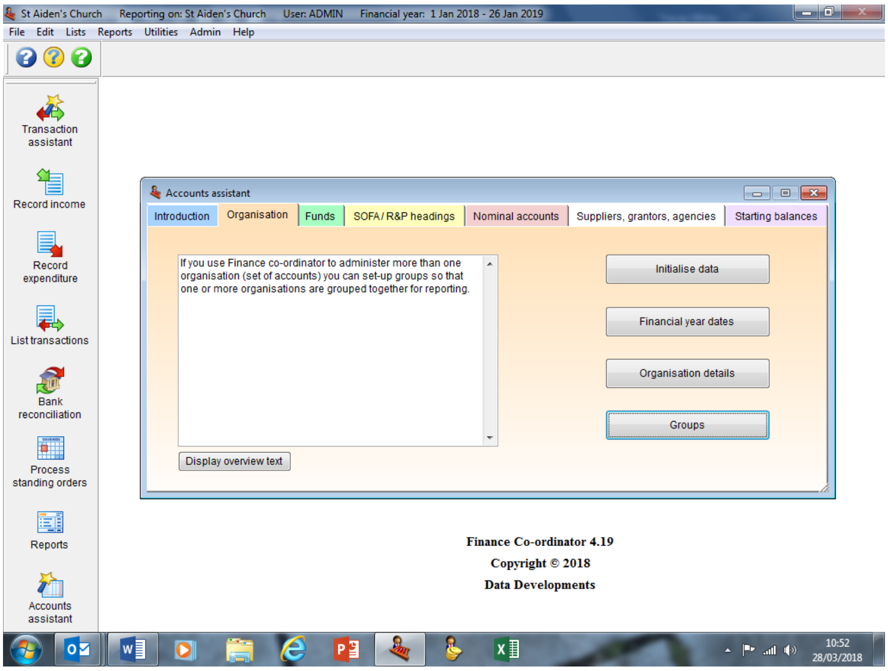
Now any reports produced will show information consolidated from the Mission Area.



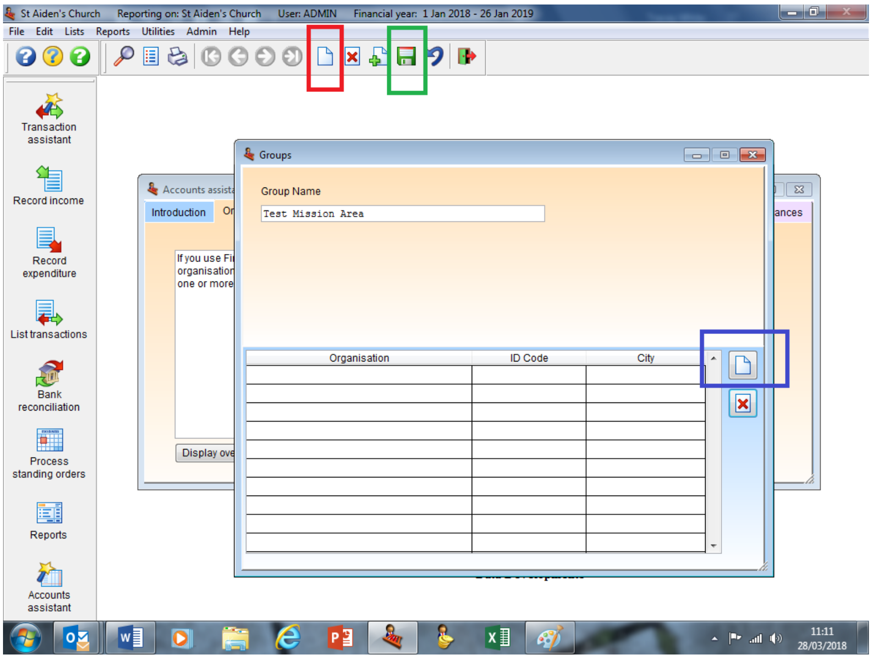
Setting up Group Reporting

Before you can report on the consolidated accounts, you will need to tell Finance Coordinator which churches are to be included in the report. You will only need to do this once.

Click on Accounts Assistant and move to the Organisation tab.



Click on Groups

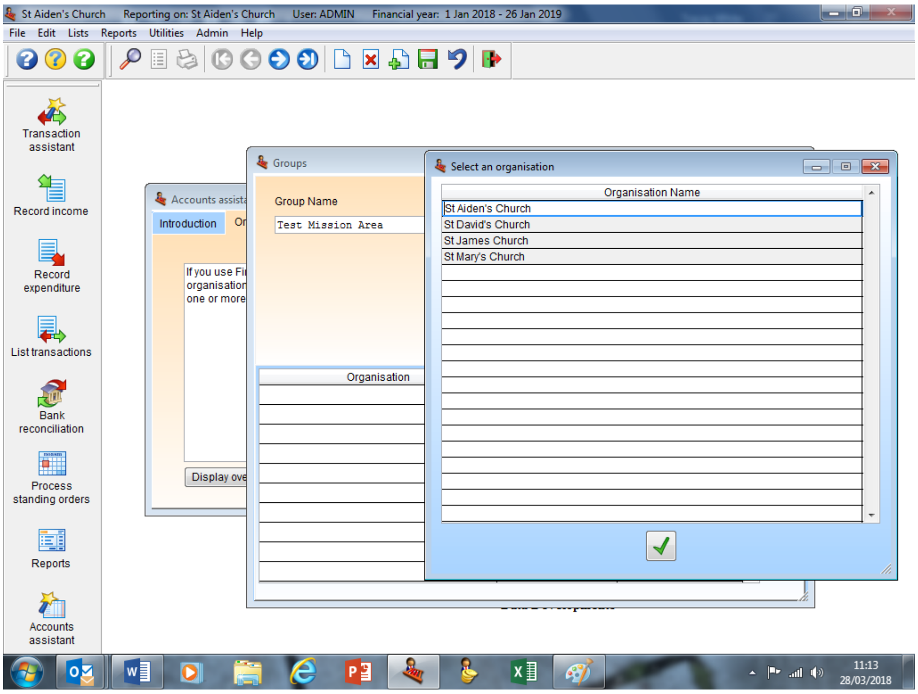


Click on the New icon (the icon with the red box around it)

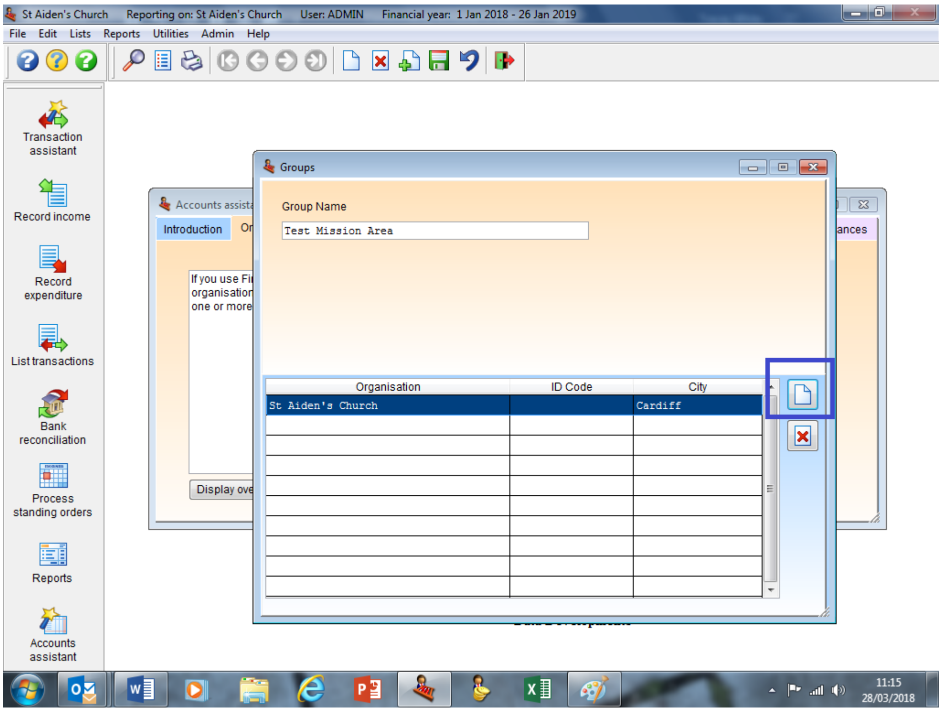
Type in the Group Name, i.e. the name of the Mission Area

Click on the Save icon (the floppy disk with the green box around it)

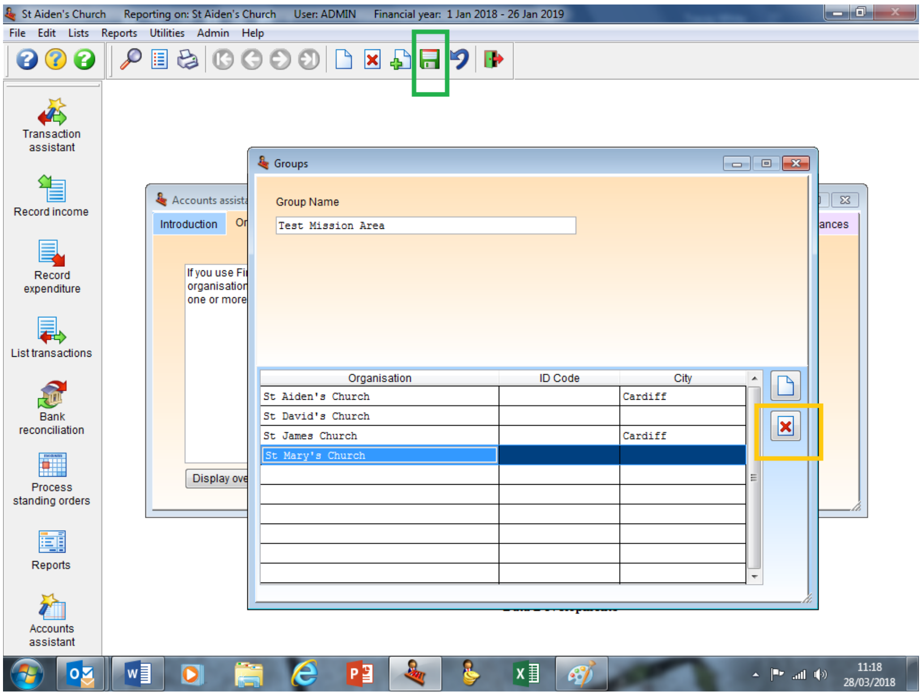
Click on the New icon (the icon with the blue box around it)



The list of available churches will appear. Click on the first one and click on the green tick at the bottom of the list.



Keep clicking on the New icon (with the blue box around it) and the church names until all the churches are added to the Mission Area Group.



If you make a mistake, then click on the Remove icon (with the orange box around it)

Once you are happy that all the churches have been included, click on the Save icon (the floppy disk with the green box around it)

'Information Saved' will flash up on the top right-hand side of your screen. You can now exit the Accounts Assistant

Vestry Collection Record

Date:	Regular Giving Envelopes	One-off Gift Aid Envelopes[1]	Open Plate and Non-Gift Aided Donations[2]		10 or more attending? [3]	
	No of Envelopes:	No of Envelopes:	Eligible for GASDS	Not Eligible for GASDS	Non-Donations[4]	TOTAL
Notes: £50						
£20						
£10						
£5						
Coins: £2						
£1						
50p						
20p						
10p or 5p						
2p or 1p						
TOTAL						
Cheques						
GRAND TOTAL						

Please complete this sheet in conjunction with the Vestry Record Notes provided.

Counted by __________________________ and ________________________________ (sign)