THE CHURCH OF ENGLAND
DIOCESE OF NEWCASTLE

Diocese of Newcastle

A reference guide for Treasurers (May 2022)

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Introduction…

Welcome to your new role as Treasurer, which I am sure you will find both rewarding and fulfilling.

Thank you for taking on this role which gives you the opportunity to make a real difference and, along with your colleagues, provide strong support to your priest.

You will be dealing with public money and, by keeping your books up to date, can provide regular reports and timely accounts.

The Treasurer role is very important in contributing to the success and smooth running of the Parish.

It is a role that comes with big responsibilities around accounting for and managing finances.

We are very grateful for all the excellent effort, commitment, energy and enthusiasm of Treasurers giving their time voluntarily for the benefit of their Parish. All that is very much appreciated.

The guide is structured to give you some key points and links to the more detailed information. These links are all underlined and you simply click on those links to take you to the information.

We can also print and send out to you any of the detailed information. Please just get in touch (contact details below) if you want us to do that for you.

If you find that any of the links stop working please let us know (contact details below) so we can make sure they are always up to date.

Please always bear us in mind here in the Finance Team for anything we may be able to help you with. Our contact details are:

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We hope you find this guide helpful to you in your important role as Treasurer.

Philip Ambrose, Finance Manager, May 2022

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Tips to help get you started…

The rules and regulations for running PCC/DCC finances are contained in the publication PCC Accountability 5th Edition

Here are some tips on looking at things to help you get started:

- Guidance on where to post your transactions in your cashbook (page 29)
- Guidance on account headings to use (page 40 & 41)
- Unrestricted, restricted and endowment funds explained (page 24 & 25)
- Example of receipts and payments annual accounts (page 53)
- End of year checklist (page 45)
- Good presentation points (page 15)
- Planned giving – if you split this between Gift Aided and non-Gift Aided it means you can keep an eye on how much is not Gift Aided

Treasurer key tasks…

Key points:

- Carry out the financial decisions made by the PCC
- Draft an annual budget
- Record all transactions and ensure all are correctly authorised
- Agree with PCC what reports they want and when they want them (eg: a reporting timeline)
- Monitor finances throughout the year and alert the PCC if any difficulties are likely
- Work with the PCC to meet all its financial obligations especially Parish Share
- Produce the annual accounts and send a copy to the Diocese
- Complete the annual Return of Parish Finance
- Complete the Charity Commission annual return (only needed if PCC is a registered charity)

Link to more detail:
The Treasurers role

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Getting started as a new Treasurer…

Key points:

- 3 areas to get to grips with…
  - Keeping good records and following good procedures for handling money
  - Understanding different fund types and how these can be used
  - Accounting for income and spend going through each fund
- Association of Church Accountants and Treasurers (ACAT) New Treasurers Handbook is a very useful guidebook
- PCC Accountability is a detailed guide produced by the Church of England
- Follow systems and procedures that will help you produce Annual Report and Accounts at the year end
- Have an overview understanding of Gift Aid. Note in some places the Gift Aid administration may be part of the Treasurer role. If so guidance is here Gift Aid

Link to more detail:

Record keeping and cash management
Different types of funds
Accounting for different types of funds
Association of Church Accountants and Treasurers website (ACAT)
ACAT Introductory Guide for New Church Treasurers
Annual Report and Accounts
PCC Accountability guidebook
Gift Aid
Charity Commission guidance on accounting and reporting

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Record keeping…

Key points:

- Treasurer is responsible for ensuring Parish keeps appropriate financial records
- Main types of records to maintain are:
    - **The cash book(s)** - the ledger to record all income and spend transactions. It could be an accounting computer program or a spreadsheet or a manual ledger book
    - **Collections records** - eg: for plate and envelope collections
    - **Payments** – keep a record of supporting documents for payments (eg: invoice or receipt)
    - **Petty cash** – best practice is to keep cash payment to a minimum and make them from a properly set-up and documented petty cash float rather than using cash from collections
    - **Gift Aid -** the Gift Aid Secretary keep records of individuals and amounts against which tax can be reclaimed. Treasurer needs to record details of the giving and donations to support the Gift Aid claims made to HMRC
    - **Bank account(s)** – Treasurer needs to keep bank statements for 7 years. If Parish has several different funds it may be useful to have separate bank accounts to help keep track of funds
    - **Bank signatories** – all accounts should have 2 signatories as a minimum (from PCC members, Parish priest, churchwardens, treasurer). If online banking in place there should be a dual authorisation setup. Bank mandate and any updating of it should be authorised by PCC and Treasurer should keep it up to date. Copies of bank mandate and the supporting PCC resolution should be kept
    - **Investment account(s)** – useful to earn interest of any cash that is not needed on instant access basis. Same controls as for bank accounts and bank signatories
    - **Return of Parish Finance** – can be completed online via the Parish Returns website which also holds detail of previous year(s) returns
    - **Annual financial statements** – retain the APCM approved and signed version
    - **Charity Commission annual return** – can be completed online via the Charity Commission website
    - **Correspondence file**

Link to more detail:
Record keeping in more detail
CCLA Investments details
Church of England Online Parish Returns
Return of Parish Finance form
Charity Commission annual return preparation checklist

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Different types of funds…

Key points:

- 3 types of funds…
- Unrestricted funds (2 categories)…
  - General funds - these are monies which are under the control of the PCC and which can be spent on any purpose it deems fit in line with its charitable objectives.
  - Designated funds – these are unrestricted funds which the PCC has decided to designate/earmark for a specific purpose. The PCC can subsequently decide to designate/earmark them to a different purpose or decide to remove the designation and treat them as unrestricted general funds
- Restricted funds – these are funds given for a specified purpose (eg: a grant towards roof repairs or a fundraising appeal where the donors have been told funds would be used for a particular purpose)
- Endowment funds – these are funds which have come to the PCC with the specific instruction that only the interest generated by the money can be spent.

Link to more detail:
Different types of funds in more detail

Accounting for different types of funds…

Key points:

- PCC needs to account separately for each type of fund:
  - Unrestricted (general & designated)
  - Restricted
  - Endowment
- Each transaction should be tagged to the fund it relates to
- Some transactions may need to be split across more than 1 fund
- In the annual accounts there should be separate columns for:
  - Unrestricted funds
  - Restricted funds
  - Endowment funds
  - An all funds total column
- Important that PCC members know…
  - What the funds are
  - What type each fund is (unrestricted general, unrestricted designated, restricted, endowment)
  - What the permitted use is of each of the restricted funds
  - What the permitted use is of income from endowment funds
- If restricted fund balances are invested to generate income then the income belongs to that fund – unless the donor states any such income generated can be treated as unrestricted
- Gift Aid income belongs to the fund to which the source donations were made
- If a restricted fund has assets (eg: a house or shares) and these are sold the proceeds must be held in the same restricted fund

Link to more detail:
Accounting for different types of fund in more detail

Tips for handling different types of funds…

Key points:

- Ensure accounts system enables all transactions to be tagged to a fund or split across funds
- Restricting money by specifying the purpose when making an appeal can bring 2 advantages:
    - Funds cannot be 'raided' for other purposes
    - People may give more if they know the specific purpose
- Restricted funds can show a deficit balance when spend has been incurred and the promised funding is awaited
- PCCs do not have to accept a gift if they are uncertain of its source or if they are not happy at abiding by the donor's conditions
- Tax recovered under the Gift Aid scheme on a restricted fund donation is also part of that restricted fund
- Legacies given for the general purposes of the PCC..
    - Must be accounted for as unrestricted general funds
    - Cannot be subsequently classed as restricted by the PCC
    - Can be classed as designated by the PCC but not designated to a 'Legacy Fund' with no intention as to its use
- The separate identification of funds does not require them to be kept in separate bank accounts
- To avoid a build up of too many separate funds PCCs are recommended to keep under review the number of funds while taking care not to conflict with the strict rules on restricted and endowment funds. PCCs can consider…
    - Closing the fund after spending up all the remaining balance on the permitted purpose
    - Reviewing designated fund balances and deciding whether any need to be transferred back to unrestricted general funds
    - For any restricted funds where it is difficult to spend in line with the permitted purpose then seek assistance from the Charity Commission to modify the purpose for which the funds are held

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Managing restricted funds…

Key points:

- 3 types of restricted funds…
  - **Restricted income funds** are funds given for a specific purpose that must be spent on those purposes within a reasonable timescale
  - **Permanent endowment restricted funds** are created when a sum of money is received from a donor who specifies that it must not be spent as if it were income. Usually the donor will instruct that the sum of money (the 'capital' or the 'permanent endowment') must be invested and the income generated must be spent on certain specified purposes
  - **Expendable endowment restricted funds** are sums of money which may be spent in their entirety on the specified purposes (unlike permanent endowment) but do not have to be spent on those purposes within a reasonable period (unlike income funds)
- Good stewardship of restricted funds. Please see link to more detail below which covers:
  - What should the PCC be doing?
  - What if no-one is sure exactly what a fund is for?
  - What if a reason the spend a fund seems not to have arisen?
  - What if some PCC members wish to keep a fund for a rainy day?
  - What if it is not possible to spend a fund on the purposes for which it was given?
- How to tidy up restricted funds. Please see link to more detail below which covers:
  - Reviewing the PCC's restricted funds
  - Transferring a restricted fund to another charity
  - Changing the purposes of a restricted fund
  - Changing the administrative powers applying to a restricted fund
  - Spending the permanent endowment of a restricted fund
  - Applying for a scheme

Link to more detail:
Guidance on managing restricted funds

Managing reserves…

Key points:

- PCCs need to…
  - Develop a policy on the level of reserves and why they are needed
  - Decide where reserves will be invested
- Investment of reserves should be periodically reviewed especially when economic circumstances change either locally or within the wider economy
- Reserves are an important topic…
  - There should be transparency so PCC members are aware of the 'free reserves' for which they are responsible
  - Managing reserves to ensure maximum benefit for the Parish as a whole in its pursuit of the whole mission of their church
- In determining a policy it is not seen as adequate to simply hold some money for 'a rainy day'

Link to more detail:
Managing reserves in more detail
A simple guide to Parish reserves policies
Reserves policies examples
Reserves frequently asked questions
Investing reserves - a short guide for PCCs

Accounting and reporting overview…

Key points:

- PCCs are classed as charities so need to comply with Charity Commission rules
- Producing accounts is a joint responsibility of the whole PCC
- 2 types of accounting to use (depending on gross income of PCC)…
    - Receipts and Payments Accounts if gross income less than £250,000
    - Accruals Accounts if gross income £250,000 or more
- Receipts and payments accounts are simpler based on receipts and payments in the year
- Accruals accounts are more complex
- Trustees Annual report has to be produced to accompany the accounts. Often this may be taken on by PCC Secretary or the Incumbent
- Producing a very simple 1-page summary of the accounts for parishioners can help them understand the key things:
    - Income
    - Spend
    - Surplus or deficit
    - Cash and other assets (eg: investments)

Link to more detail:
Accounting and reporting overview in more detail
Receipts and payments accounts overview
Accruals accounts overview
Trustee annual report overview
Charity Commission guidance on accounting and reporting

Receipts and payments accounts…

Key points:

- Use if gross annual income is less than £250,000
- Focuses on the cash receipts and payments transactions in and out of the PCC's bank accounts during the financial year

Link to more detail:
Receipts and payments accounts in more detail
Receipts and payments accounts example
Accounting and reporting frequently asked questions

Accruals accounts…

Key points:

- Use if gross annual income is £250,000 or more
- More complex than receipts and payments basis as it requires the measurement of assets and liabilities at the year end and the matching of all income and expenditure to the accounting year it relates to

Link to more detail:
Accruals accounts in more detail
Financial statements in accruals accounting
Accrual accounts example

Trustee annual report…

Key points:

- Producing the annual report is a joint responsibility of the whole PCC
- It puts all the PCC's financial statements into perspective and relates them to the wider life of the Church
- It will review the past year and link financial and fundraising plans to the vision for the future including plans for corrective actions if there was overspending in the year
- It is legally a separate document from the accounts and it provides important accompanying information to the accounts
- Must be included whenever a full set of accounts is distributed or made available
- Can include a separate simple 1-page summary of the key points of the accounts to help parishioners understand them
- Must be received by the Annual Parochial Church Council meeting (APCM)
- Usually drafted by the secretary and the treasurer of the PCC, but some PCCs may wish to involve others in the drafting
- The PCC must adopt the report before it is presented to the APCM and it must be dated and signed by the chair of the PCC meeting at which it was adopted

Link to more detail:
Trustee annual report in more detail
Trustee annual report example

External scrutiny…

Key points:

- Accounts and annual report will need to receive external scrutiny
- Most PCCs should be independently examined, although the largest PCCs will require a full audit
- Thresholds for external scrutiny…
  - Gross annual income under £250,000 – independent examination
  - Gross annual income £250,000 or more and up to £1million, and assets do not exceed £3.26million – independent examination by a qualified person
  - Gross annual income over £1million or assets exceed £3.26million – full audit of accounts
- Gross annual income excludes any endowment funds received

Independent examination…

Key points:

- Accounts need to be checked by someone competent outside of the PCC
- This person is the Independent Examiner
- Examiner is appointed by resolution passed at the APCM usually on the advice of the PCC
- In advising the APCM the PCC needs to understand…
  - What the Independent Examiner is expected to do
  - What information the Independent Examiner needs
  - What the Independent examiner will report on
- The PCC needs to ensure the Independent Examiner has the skills to carry out the role and is independent from the PCC
- If gross annual income exceeds £250,000 the Independent Examiner needs to be appropriately qualified (eg: a member of a recognised Chartered Accountancy Institute/Association body)
- The Independent Examiner will need to see at least a draft of the Trustee Annual Report as a part of their scrutiny of the accounts

Link to more detail:

Independent examination in more detail
Guidance on appointing and working with an Independent Examiner
Charity Commission guidance for Trustees on Independent Examination
Charity Commission guidance for Independent Examiners
Charity Commission recommended checklist for Independent Examiners

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Thresholds - what you need to do as your PCC grows…

Key points:

- Gross annual income below £100,000…
  - Accounts on a receipts and payments basis
  - Accounts must be independently examined
  - Do not need to register with Charity Commission
- Gross annual income £100,000 or more and less than £250,000…
  - Accounts on a receipts and payments basis
  - Accounts must be independently examined
  - Need to register with Charity Commission
- Gross annual income £250,000 or more…
  - Accounts on an accruals basis
  - Accounts can be independently examined by as qualified person as long as gross annual income does not exceed £1million or assets do not exceed £3.26million. Otherwise accounts need to be fully audited
  - Need to have registered with the Charity Commission

Link to more detail:
Thresholds - what you need to do as your PCC grows in more detail

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Registration with the Charity Commission…

Key points:

- Must register if gross annual income is over £100,000
- Once registered the PCC will need to submit online an Annual Return and a copy of Annual Report & Accounts
- Once registered the PCC will need to report serious incidents to the Charity Commission
- If normal gross annual income is £80,000 or less, but exceptionally has exceeded the £100,000 threshold the PCC can apply by email RegistrationApplications@charitycommission.gov.uk for a written determination that they need not register
-

Link to more detail:

Registration with the Charity Commission in more detail
Archbishop's Council & Charity Commission approved governing documents in more detail
Online registration guide
Charity Commission guide
PCC governing documents summary
Summary statement of faith
Guidance for PCCs on the duty to state they are a registered charity
Guidance on reporting serious incidents to the Charity Commission
Template to use to request not to register when income has exceptionally exceeded £100,000

Funding guides…

Key points:

- Good principle is for the day to day running costs and routine maintenance of the church to be met by regular giving
- Regular fundraising activities can significantly contribute to a churches income
- There will inevitably be times in the lives of most churches when a major fundraising project is needed
- Funding guides (see links to more detail below) cover…
    - Capital Fundraising and Building Projects - These 12 Funding Guides take you through the various stages of developing and delivering a large fundraising project
    - Digital Giving for Churches - there are a number of ways to give and in the wider charitable sector this form of giving is growing fast
    - National List of Charitable Grants for Churches - this has 6 funding categories relevant to your church, as well as useful websites and organisations to contact

Link to more detail:
Funding guides in more detail
Ecclesiastical - list of grant funders for churches
Guides for capital fundraising
Guide to digital giving
Charitable grants for churches

Employing people…

Key points:

- PCCs need to…
    - Determine the employment status (eg: employed, self-employed)
    - Determine what is required in terms of registration with HMRC and operating a payroll and pay as you earn (PAYE)
    - Determine what is required around provision of pensions

Link to more detail:
Employing people in more detail
Guide covering paying people and HMRC aspects
HMRC guide to PAYE (pay as you earn)
PAYE and real time information - a guide
Employment status for tax purposes - a guide for PCCs
Pensions and auto-enrolment in more detail

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Managing risk…

Key points:

- Larger PCCs (gross annual income over £500,000) need to include a risk management statement in their annual report and accounts
- However it is good practice for PCCs to try to manage risks to which they are exposed and PCCs can use a step by step approach
- Step 1 – identify the types of risks that may occur (see Managing risk in more detail for a more detailed list of the following)…
    - Governance risks - the skills, competence & organisation of the PCC etc
    - Operational risks – health & safety, employment, child protection etc
    - Financial risks – reserves, cashflow, investments, income stability, fraud etc
    - External risks – demographic & employment changes, public reputation etc
    - Regulatory risks – fundraising, disability discrimination, Inland Revenue etc
- Step 2 - measure the likelihood of each risk occurring…
    - If likely to occur in next 5 to 10 years the score as **high** probability (score = **2**)
    - If unlikely to occur in next 5 to 10 years the score as **low** probability (score = **1**)
- Step 3 - assess the likely impact of each risk in terms of cost and inconvenience...
    - Use same scoring as step 2
- Step 4 – multiply likelihood x impact scores to get an overall score and allocate each risk to 1 of 4 categories…

	Likelihood = low	**Likelihood = high**
Impact = low	Category 1 accept risk	Category 2 – establish preventative and detection measures
Impact = high	Category 3 - Insure against risk and establish a contingency plan	Category 4 - abandon activities or develop less risky ways or achieving same objectives

- Step 5 – focus on category 2 and category 3 to develop a more detailed analysis covering (see Managing risk in more detail for a worked example…
    - Control procedures and further actions that can be put in place as mitigation measures
    - Monitoring process
    - Allocating responsibility for control procedures & monitoring process
    - Allocate time for regular review of risks

Link to more detail:
Managing risk in more detail
Managing risks in your local church - guidance and a worked example
Church risk assessment - detailed guidance
Minimising risk checklist

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Supporting Treasurers toolkit…

- This is on the Diocese of Newcastle website Supporting Treasurers toolkit
- This has a range of practical support, advice and resources to help Treasurers in their role…
    - Parish Accounts Template
    - Parish Accounts Template User Guide
    - Parochial Fees Return Form
    - Table of Parochial Fees
    - Example Counting Sheet
    - Financial Controls Checklist
    - Paying your Parish Share by Direct Debit
    - PCC Financial Controls
    - PCC Spend Authorisation Limits & Procedures Example

Charity Commission guidance…

- This is on the Charity Commission website Charity Commission Guidance
- This has a range of practical support, advice and resources and guidance specific to finance covers…
    - 5 minute guide for Trustees - managing charity finances
    - Charity money, tax and accounts - links to a wider range of detailed information

Various other things…

- Guidance on accounting/financial issues when Parishes merge
- An overview to the legal framework for Parishes
- Records management guides including document retention timescales

Link to more detail:
Guidance on accounting/financial issues when parishes merge
An overview to the legal framework for parishes
Records management guides including document retention timescales