

Diocese of Monmouth

**Ministry Area
Finance Toolkit**



**Faith in our
Future**

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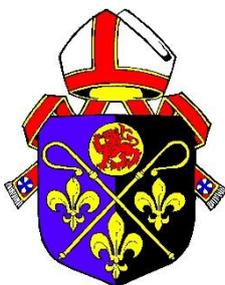
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Introduction by Bishop Cherry

This document outlines the ways in which finance and other assets are to be managed in the newly established Ministry Areas. Roles and responsibilities are explained and processes described. As with the Governance Toolkit, this represents the fruit of a good deal of discussion with Ministry Area Leaders, representatives of the Standing Committee and DBF and members of the Bishop's Staff Team and I warmly commend it to you.

Whilst the plans may seem at first to be complex and radical, we believe that they provide us with the best way of ensuring collaborative working, mutual support and the sharing of resources: core Christian principles. They also give us the best chance of ensuring a sustainable future for all of our churches.



A handwritten signature in black ink, appearing to read 'J. Cherry', with a long horizontal line underneath.

1.0 Roles and committees

1.1 Finance roles and responsibilities

Each Ministry Area will have:

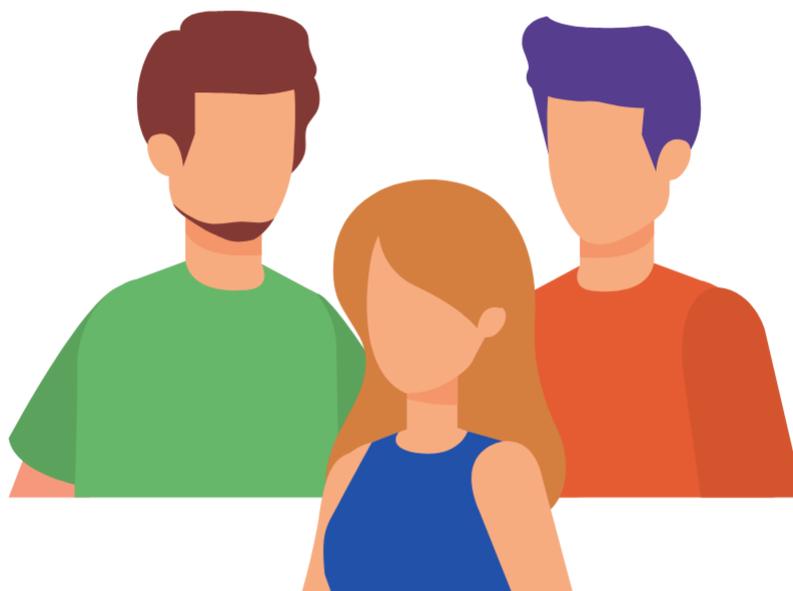
- a Ministry Area Council acting as the trustees for the Ministry Area
- a Ministry Area Treasurer
- a Ministry Area Gift Aid Secretary

Each Ministry Area may have:

- a Finance Committee
- a Ministry Area Bookkeeper
- thematic committees (e.g. for worship, children's ministry, outreach, etc)

In support of these roles, individual churches may choose to have:

- a Church Committee
- a Church Treasurer
- a Church Gift Aid Secretary



1.1.1 Role of the Ministry Area Council

Overall control of Finance

The trustees of the Ministry Area Council (MAC) have overall responsibility and control for finance. In order to control the finances, they need to receive regular financial information. The trustees can delegate powers in respect of finances to a Finance Committee made up of members of the MAC and/or to church committees for the time being (which may include setting spending limits). The trustees will approve examined accounts and present them to the Annual Vestry Meeting as is current practice.

Financial issues for the Ministry Area Council (or delegated to the Finance Committee) to consider:

1. Ensuring the Ministry Area finances underpin the Ministry Area strategy.
2. Agreeing how Ministry Share is financed.
3. Ensuring Ministry Share contributions are met.
4. Monitoring of Gift Aid and GASDS (Gift Aid Small Donations Scheme) claims.
5. Balance Sheet Review (Assets - Investments, Property, Cash at Bank and Liabilities -Creditors) Funds Held by Type (General, Restricted and Designated)
6. Setting the budget.
7. Setting spending limits for committees where appropriate.
8. Monitoring the financial health of all churches within the MA.
9. Monitoring of Gift Direct, Fund raising, Cost savings etc.
10. Setting financial policies, eg Reserves Policy, Legacy policy and monitor accordingly.

1.1.2 Role of the Ministry Area Treasurer

- Pays total Ministry Share to the Diocesan Office
- Attends Ministry Area Council (MAC) meetings
- Provides financial reports for the MAC and Finance Committee
- May chair the Finance Committee or delegate this to another member
- Consolidates all the financial information of the MA
- Arranges the annual independent examination** on behalf of the MAC and coordinates this with the examiners and Church Treasurers where necessary
- Submits accounts information to MAC, to the Representative Body of the Church in Wales (RB), and to the Charity Commission as appropriate
- Reports any concerns about the financial health of the churches to the Finance Committee and MAC
- Provides budget and spend information to any MAC committees that have been established
- Contact point for all Church Treasurers
- Contact point with the Diocesan Finance team and 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, the examiner must be a person who is a member of one of a list of regulated bodies listed in the Charities Act and should be allowed by the rules of that body to undertake the role of independent examiner (detailed list can be found on the ACAT website)*

Financial Year Planner – Ministry Area Treasurer

January	<ul style="list-style-type: none"> • Ensure Gift Aid and GASDS claims have been submitted for the previous year by relevant individuals. • Ensure all year end accounting adjustments have been undertaken
February	<ul style="list-style-type: none"> • Receive data from Church Treasurers • Consolidate accounts once investment valuations are received • Arrange independent examination of accounts ** • Ensure Ministry Share Standing Order to the Diocese has been set up.
March	<ul style="list-style-type: none"> • Church Treasurers may present draft accounts to a church committee
April	<ul style="list-style-type: none"> • Present previous year's examined accounts to the Ministry Area Council and at the Annual Vestry Meeting • Submit accounts and annual report to the Charity Commission by the deadline of 31st October
May	<ul style="list-style-type: none"> • Submit Annual Returns for Ministry Area to Representative Body • Ensure GASDS claims submitted by relevant individuals
June	
July	
August	
September	
October	
November	<ul style="list-style-type: none"> • Agree how Ministry Share will be financed for following year • Prepare budget for following year and present to the Ministry Area Council
December	<ul style="list-style-type: none"> • Check the status of Ministry Share payments across the Ministry Area while church accounts continue to exist.

1.1.3 Role of the Ministry Area Bookkeeper

The MAC may choose to appoint a Ministry Area Bookkeeper to assist in maintaining the financial records of the Ministry Area. This will assist the Ministry Area Treasurer when the accounts have been consolidated by having one person responsible for entering all the financial records onto MyFundAccounting.Online so that there is consistency in the codes used.

The Ministry Area Bookkeeper will also assist the Ministry Area Treasurer and the MAC or Finance Committee by having an overview of the finances as they are recorded and spotting trends of increasing expenditure or falling income.

Having a Ministry Area Bookkeeper will mean Church Treasurers will not need to be familiar with MyFundAccounting.Online.



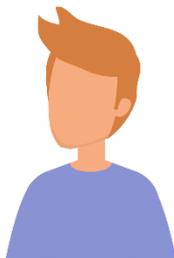
1.1.4 Role of the Church Treasurer

The role of the individual Church Treasurers will change once the different church bank accounts have been reviewed, it is intended that the Ministry Area will operate one main bank account in due course.

Role of the Church Treasurer

(until one bank account is in operation and if no bookkeeper is in place)

- Keeps financial records for all bank accounts, investments and property relating to their church
- Provides financial information for church committee and Finance Committee
- Provides supporting documentation for Independent Examination
- Agrees and pays Ministry Share contribution to Ministry Area Treasurer
- Makes payments (subject to any agreed spending limit)
- Banks money
- Immediately reports any default on Share to the Ministry Area Treasurer
- Attends church committee meetings (if there is such a committee)
- Attends Finance Committee



Role of the Church Treasurer

(once one MA bank account in operation)

- Service collections
- Banking of monies
- Reporting to the MA Treasurer

1.1.5 Role of the Ministry Area Gift Aid Secretary

- Registers the MA with HMRC once Charity Commission registration is complete
- Sets up a Government Gateway for the Ministry Area (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 schedules from Church Gift Aid Secretaries and collates these into a claim
- Submits the collated claim via the Government Gateway.
- Alerts the Ministry Area Treasurer to the amounts claimed for each church on submission
- Alerts the Ministry Area Treasurer/Finance Committee to any church not making a claim at least annually

1.1.6 Role of the Church Gift Aid Secretary

- 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
- Ensures that information and link is on the church website for online Gift Aid sign-up
- Notes the giving made by numbered envelope, visitor envelope, cash collections and wall boxes
- Keeps records of all donations
- Forwards the details of donors and gifts to the Ministry Area Gift Aid Secretary at agreed times using the appropriate HMRC schedule. This can be either given on a memory stick or sent by email.

NOTE: The data must be protected by a password known to both the Church Gift Aid Secretary and the Ministry Area Gift Aid Secretary.

2.0 Accounting and reporting

2.1 Accounts

NOTE: Accounts will be produced annually to 31 December as currently.

2.1.1 Church in Wales Accounting Rules

All Ministry Area Councils are required to prepare an annual report and accounts, which must:

- Comply with the Church in Wales Constitution and the Accounting regulations set out within the Constitution and Charity Law
- Be retained along with all of the accounting records for 6 years
- Be available for inspection by the Archdeacons
- Be available to the public on request

2.1.2 Charity Commission Rules Accounting Requirements

Gross Income	Accounting Reporting Basis
Below £250,000	Receipts & Payments accounting + assets and liabilities statement
Over £250,000	Accruals Accounts: statement of financial activities + balance sheet

Income / Gross Assets of Ministry Area	Scrutiny
Ministry Area Income less than £25,000	None
Ministry Area Income £25,001 to £1million	Independent Examination*
Ministry Area Income £1million or more	Audit
Gross Assets over £3.26 million and Income over £250,000	Audit

* Where income is above £250,000 the Independent Examiner must be qualified.

Note 1: *Income is defined as the total income recorded in all unrestricted, designated and restricted funds but not endowed (capital) funds.*

Note 2: *Small Charitable Companies (income below £6.5 million and gross assets below £3.26 million) are subject to the above scrutiny provisions. Charitable Companies above the small company thresholds must abide by the provisions of the Companies Acts.*

2.1.3 Regulatory Background: Registration with the Charity Commission

Under the Charities Act 2006 the Church in Wales enjoyed “excepted” status and parishes didn’t need to register. Under the Charities Act 2011 all charities including parishes and Ministry Areas with income over £100,000 have to register with the Charity Commission. From 31st March 2021 (unless a delay is introduced) all charities including parishes and Ministry Areas with income over £5,000 will have to register with the Charity Commission.



CHARITY COMMISSION
FOR ENGLAND AND WALES

2.1.4 Registration with HMRC

With the reorganisation of Parishes into Ministry Areas, there is a requirement to ensure that the old HMRC numbers for the old Parishes/churches are no longer used and that a single number for the entire Ministry Area should be used instead, since this is now the organisation/charity and not the old Parishes/churches. Ministry Areas will need to apply to HMRC for a new number, but continue to use the old numbers until the new one has been received. The only exception to this is if parishes are merged into a registered charity that is already registered with HMRC; they can continue to utilise the same HMRC number.



HM Revenue
& Customs

MyFundAccounting.Online

2.1.5 MyFundAccounting Software Package and the Church in Wales

MyFundAccounting (the online version of Finance Co-ordinator) by Data Developments is an accounting software package for use by Treasurers. The programme produces accounts that conform to SORP 2015 and FRS102 standards, and has been designed in conjunction with the Representative Body and the Charity Commission. As such it will be updated to reflect any future changes in institutional or legal requirements, without the need for intervention by MA Treasurers.

2.1.6 Benefits of MyFundAccounting

MyFundAccounting was designed by a Church Treasurer for Church Treasurers to use. The Church in Wales version of the software uses the same account headings that treasurers are currently familiar with and, at the end of the financial year, produces the annual finance return to send to the Representative Body. MyFundAccounting can be accessed anywhere with an internet connection and from almost any device. The software should save time for treasurers and make reporting requirements much easier. For example, the software can produce an Annual Report template which includes all the financial data required by the Charity Commission along with headings to help guide the writing of the report. Any changes to requirements by the Charity Commission or the Representative Body of the Church in Wales will automatically be updated by Data Developments. It is the intention of the Diocese to invest in the software to enable Ministry Areas to prepare and consolidate their accounts on a standardised basis.

2.2 Bank Accounts

2.2.1 Ministry Area Bank Accounts

The Ministry Area Council (MAC) is the trustee body of the charity. It is for the MAC to determine how it wishes to control the use of bank accounts. It is important to remember that the MAC cannot delegate the responsibility for the charity's finances. It can, however, choose to delegate operational powers, but it will need to set clear details of what is delegated and ensure that any delegated powers are helping to deliver the charity's outcomes. The MAC may also decide to withdraw any delegated powers.

2.2.2 Name of Bank Account

The aim is for the Ministry Area to operate one current account, in the name of the MA. The MA may need to set up a new account, or change the name of an existing account: the procedures will differ from bank to bank. This account should be used for all payments and receipts which can be analysed into the various church funds through the use of the MyFundAccounting accounting system.

In the short to medium term the Ministry Area may allow the churches to operate their own bank accounts, however the funds remain legally under the control of the MAC and, as such, operational controls and safeguards need to be put in place. Trustees need to exercise effective general control over their charity's bank accounts and make regular checks to ensure that these are operating as intended and are consistent with the internal financial records.

2.23 Signatories

Charities are required to have a minimum of two signatories on each bank account and dual authorization processes are also required.

We would suggest having at least 4 signatories on accounts as best practice.

In the short term, if you continue to hold church sub accounts we would suggest the following model: two signatories from the church holding the account plus two signatories from the MAC (typically to include the MA Treasurer). 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.

2.3 Reserves

2.3.1 Assets and liabilities

As charity trustees, all members of the Ministry Area Council are responsible for the assets and liabilities of the charity that is the Ministry Area.

The **assets** of the Ministry Area are likely to be:

1. **Property** (e.g. church halls, houses, land etc.) recorded as a fixed asset
2. **Investments held as shares** (e.g. Funds held with external fund managers, Common Investment Fund), recorded as fixed assets investments
3. **Investments held as cash** (e.g. deposit accounts, bonds) recorded as current assets

NOTE: With very few exceptions 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 Ministry Area Council. In some cases this also applies to the Church Hall. Some church halls, if they are not directly owned by the parish (and therefore now the MA), are owned by the Diocesan Board of Finance or Diocesan Trust on behalf of the MA and should be recorded as MA assets.

Assets fall into three categories:

- a) **Restricted** – the asset can only be used for the purpose laid down by the donor. (This includes funds or gifts that have been given by donors for use by a particular church.)
- b) **General (unrestricted)** – 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, with the designation being recorded in the minutes. Assets can also be subsequently undesignated by the MAC.

As well as assets, liabilities are also the responsibility of the MAC, and so MAC members do need to be aware of any outstanding debts.

2.3.2 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 MAC, are legally responsible for all the assets and liabilities of the charity. This means that the MAC cannot decide to pull all money into a central pot to spend as it will; the restricted funds must still be honoured.

It is recommended that all MAC adopt a legacy policy to encourage legacies and make sure they are managed correctly.

A sample legacy policy can be found:

<https://www.parishresources.org.uk/legacies/how-to-encourage-legacy-giving/>

2.3.3 Reserves Policy

Each Ministry Area may keep money aside as a reserve to protect the charity against drops in income or to allow it to take advantage of new opportunities. A charity's reserves can be spent on any of its aims. A charity can also choose not to hold reserves. The MAC must write a reserves policy to explain to others why they are setting money aside rather than spending it on the charity's aims.

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. A sample policy can be found at:

<https://www.parishresources.org.uk/pccs/managingreserves/>

3.0 Ministry Share

The current Ministry Share system is to be reviewed and a revised method of calculation will be rolled out in conjunction with the new Ministry Area plans from 2022 onwards.

The Ministry Area will be responsible for ensuring that Ministry Area Share is paid in full and on time to the Diocese. Ministry Share should be paid directly as one payment to the diocese by the Ministry Area Treasurer on behalf of the Ministry Area.

As long as church accounts continue to exist, Church Treasurers will need to remain in communication with the MA Treasurer to ensure that Share payments are made on time and to respond to any change in local circumstances.

Ministry Share will need to be paid in full and on time to qualify for a rebate. The principles of this scheme will be the same as at present. If a rebate is due, it will be paid to the Ministry Area and it will be for the MAC to determine how this money is used.

4.0 Thinking about the future...

1. Areas for the Ministry Area Council to consider:

How would you prefer your income and expenditure to look? [This might provide an indicative Budget for your Ministry Area and provide longer term targets to aim for].

2. Review your accounts and funds

List the funds you currently hold, and for which you are the beneficiary (regardless of where the funds are kept or vested).

What is the use of the fund? How can we best use these funds based on any restrictions to further our mission? Who are the signatories on these accounts?

- Consider the ideal number and nature of accounts.
- Consider consolidation in order to ease the administrative burden.
- Consideration of getting the best return on any invested finances.

3. Understand how financial administration is undertaken and under which policies.

What financial records are being kept / maintained?

Where are the Ministry Area's records relating to finances stored?

Are these the best places for them to be stored?

Where would be the best place to keep the Ministry Area's records relating to finances?

Are there any other records that the Ministry Area should be keeping? What extra controls may need to be introduced?

4. How is expenditure being covered?

How is Gift Aid being reclaimed, and at what intervals

Is the Community Buildings section of GASDS being claimed for?

Which expenditure would you like to be covered by income from planned giving and day-today generosity?

Should more people be encouraged to give in a planned way?

Are there new ways of generating income along these lines?

Could an easier way of claiming Gift Aid be implemented?

5.0 Contacts

If you have any questions about Ministry Area toolkits, please contact your relevant Archdeacon in the first instance –

The Ven Jonathan Williams Archdeacon of Newport

Email: archdeacon.newport@churchinwales.org.uk

Tel: 01633 215206

The Ven Sue Pinnington Archdeacon of the Gwent Valleys and Acting Archdeacon of Monmouth

Email: archdeacon.gwentvalleys@churchinwales.org.uk

Tel: 01495449946

Mobile: 07741661154

6.0 Useful external resources

- <https://www.gov.uk/government/organisations/charity-commission>
- <https://www.parishresources.org.uk/>
- <https://www.acat.uk.com>