



**A brief outline of what every
PCC member needs to know about
church finances.**

Thank You!

As a PCC member, you are also a charity trustee, a steward of the church's money and resources. Thank you for taking on this role. This leaflet provides the basic information you need to know about looking after the finances of the church as a trustee. It also points you to places where you can find out more.

As a Trustee you must:

- ▶ ensure that the PCC is able to meet all its financial responsibilities, and that PCC funds and assets are used appropriately.
- ▶ report on what the PCC has achieved, and how it has used its money and resources.
- ▶ manage the PCC's money, and balance risk and reserves.

Ezra and charitable funds.....

Even in Old Testament times people wanted to know that their gifts were used according to their wishes as Ezra discovered (Chapter 7). And if it was a gift from the Emperor the results of not being trustworthy were deadly. Today the Charities Act wants the same respect for donors, although without such a severe penalty!

Now you may be thinking 'I'm not an Ezra. I just got elected to the PCC. Can't we leave it all to the treasurer?'

The short answer is 'NO!'

The responsibility for looking after the Church's money is shared between the whole of the PCC. Making use of particular skills that you have on the PCC is good practice, and many tasks will be delegated to the treasurer or to a finance sub-committee, but the responsibility remains with the whole PCC. This may sound difficult, even scary. This leaflet will show you that it is not so very different from looking after your own money.

If you have unanswered questions, or want help with aspects of church finance, or encouraging giving, then contact your Diocesan Office.



Find out more: To find out more about what being a trustee entails, look at www.parishresources.org.uk/charity Also look at the Charity Commission website: www.charity-commission.gov.uk

Four Questions you need to ask...

Just like managing your own money you need to know:

- 1 'How much money is coming in?'
- 2 'How much money you will give, spend or save?'
- 3 'How much money is left over, and what you will do with it?'

But the church's money is given by people and they sometimes say it must be used on specific things - like youth work. So there is an extra question you need to ask:

- 4 'Is the money being spent on the things people gave it for?'

Just as you keep a regular check on your own money, at each PCC meeting you should do the same with the church's money. The treasurer should give a report on:

- ▶ All money coming in – called Receipts or Income
- ▶ All money being spent – called Payments or Expenditure

- ▶ How much money you have e.g. in the bank - sometimes called Current Assets.
- ▶ How much money is owed - sometimes called Liabilities

Just as at home, the PCC should prepare a **budget** to help you manage your money as you go through the year. This doesn't have to be difficult, and will help you identify problems early.

At the end of the year any money 'left over' forms your **reserves**. Whether you are blessed with significant reserves, or just scraping by, each PCC should develop a policy on the amount of reserves it feels it needs, and why they are needed. It should also say what you will do to reach that amount and what you will do with any extra money. You will also need to decide where to keep or invest your reserves.



Find out more: To find out more about making a reserves policy, and managing money see: www.parishresources.org.uk/reserves

Money coming in...

Remember Ezra? For Ezra this was simple: first he was given money to buy offerings for the Temple and any silver and gold left over could be spent how he felt was best! For you as a PCC it will be a little more difficult. Money comes into the church for so many things and in so many ways – how can it be tracked? The answer is by using funds. In church accounts a **fund** is simply an allocation of money.

Most of the money that comes into your parish is for general purposes and so is allocated to **Unrestricted Funds** (often known as the **General Fund**). The PCC can decide how this money is used. You may choose to allocate some of these unrestricted funds to a particular project or need. These are then called **Designated Funds**. They are still unrestricted funds, and can be undesignated at any time.

Sometimes people give money for a specific purpose and it can only be used for that purpose. These are **Restricted Funds**. For example money given in response to an appeal for Building work is recorded in the Restricted Building Fund and can only be used for building work. The PCC or the vicar cannot give permission for this money to be used for anything else.

Finally, there are **Endowment Funds**: where someone has

given you money to invest but you are only allowed to use the income generated from the money. If the person gives it for a specific purpose such as building then the fund would be the Building Endowment Fund and the interest or investment income could only be used for building work.

Increasing Income.....

Many PCCs will need to work at increasing their income, and there is a range of tools and information to support parishes. You may also find that there is help available from your diocese to do this.



Find out more: For resources to encourage giving, to help with capital funding campaigns, Gift Aid and much more see: www.parishresources.org.uk In particular, you will find the 'Giving for Life' resources helpful - click on the 'Giving for Life' tab on the menu bar.

Telling people where the money has been spent...

Every year you will need to prepare a **Report and Accounts**. The church's financial year is 1st January – 31st December, and this report needs to be available for the Annual Parochial Church Meeting which is usually held in March or April.

The 'Report and Accounts' have four sections that you need to provide at the end of the year. Each year parishes will need to produce:

- 1 Trustees Annual Report, often called the PCC Report.** This gives an overview of what the PCC has done in the past year, and how this has contributed to the Church's mission.
- 2 A Receipts and Payments Account.** This explains what money has come in, and what has been spent. If you choose to do a different form of accounts, called **Accruals Accounts**, this will be called a **Statement of Financial Activities**.
- 3 A Statement of Assets and Liabilities, an end of year snapshot explaining what the PCC has in reserve, and what is owed and to whom.** If you have chosen to do **Accruals Accounts**, you will produce a **Balance Sheet** instead.

You will need to appoint an **Independent Examiner** to produce the fourth report based on your parish accounts: (If you have income over £500,000 you will appoint an Auditor rather than an Independent Examiner, and if your income is over £250,000 your Independent Examiner will need to be qualified).

- 4 Independent External Examiner's Report on the accounts.** It is their job to review the accounts and check they provide a fair representation of what has happened in the last year.



Find out more: For resources to help with producing Annual Accounts and Reports, and for working with Independent Examiners, see: www.parishresources.org.uk/reports

From Good to Great!

Here are some things to consider as a PCC if you're not already doing them:

1 As well as producing your PCC Report, write a simple summary of what your spending has enabled in terms of mission and ministry - so people can make the link between their giving and the resulting activities.

See: www.parishresources.org.uk/giving/linkwithoutcomes.htm

2 Make a budget, and agree this as a PCC. You won't know exactly how much will come in, nor what all your costs will be, but most parishes can usually make a sensible estimate. Don't forget to monitor it regularly.

3 Review your investment strategy as a PCC. Have you got the right balance between placing money on deposit (cash you might need quickly) and money that is invested for longer term growth.

See: www.parishresources.org.uk/reserves

4 As Christians, we are called to take care of that which God has entrusted to us. Whatever it is - money, mission, the planet and so on, this is stewardship. Do you see your membership of the PCC in this light? If not, think about taking time as a PCC to discuss stewardship in its widest sense.

5 As a PCC talk about how you could improve your financial stewardship - every PCC, no matter how good you are at managing your money will benefit from this discussion. You might find the 'Pointers to Action' checklist in Giving for Life helps you identify priorities.

See: www.parishresources.org.uk/givingforlife/pccs.htm

Our thanks go to Data Developments for their kind sponsorship of this leaflet, and participation to its development.



In a time of changing legislation, reliable information is more important than ever for PCC members. This booklet aims to provide a clear overview on the way church finances are organised and reported. It is for this reason that we were happy to be involved in the writing and the sponsoring of this booklet, and hope that you find it useful.

As a company we also believe that church account software should be as reliable and simple to use as possible. Our software consistently meets current legislation and includes assistants to help those new to church accounts.

Website: www.datadevelopments.co.uk



Produced by the Archbishops' Council

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