

The Lighthouse Church - New Malden

Financial Policies and Risk Assessment – January 2015

1 Policies

1.1 Background Information

The Lighthouse Church - New Malden (LHC) is affiliated to Acts Churches UK, and has an annual turnover of less than £100,000. The Church is registered with the Charity commissioners No: 1149176. and with Companies House. Reg No: 8215625

These Policies, and the associated Risk Assessment, are in compliance with Charity Commission and Companies House regulations.

The purpose of the Policies is to ensure that LHC-NM complies with all necessary regulations, and with financial best practice. The integrity and accuracy of LHC-NM's financial administration can be **proved**, not just **assumed**. All reasonable steps are taken to avoid the possibility of LHC-NM suffering financial loss as a result of innocent mistakes. The Trustees will review and update these policies periodically, as required by regulations and best practice, and LHC-NM's requirements.

LHC-NM's Financial Year runs from 01 April to 31 March. The Trustees Annual General Meeting (AGM) is normally held in October.

LHC-NM's Accountants are:

Independent Examiners Ltd
Soveriegn Centre
Poplars
Yapton Lane
Walberton
West Sussex
BN18 0AS

LHC-NM's Bankers are:

HSBC Plc
66 High Street
Surrey KT3 4HD

LHC-NM has Bank Accounts:

Current Account
Savings Account

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1.2 Terminology

For legal purposes, responsibility for LHC-NM's finances rests with its 'Trustees'.

1.3 Personnel

1.3.1 Trustees

Robert (Bob) Mullins

Sam Jayakrishna

Alph King

Peter Prothero

1.3.2 Treasurer

Alph King

1.3.4 Trustees' Responsibilities

In law, responsibility for LHC-NM's finances rests with all of its Trustees. None of them can delegate this responsibility to each other, or to other persons. In keeping with common practice, the Trustees have agreed to nominate one of their members to be the 'Responsible Trustee' for financial administration. This term in no way negates the responsibility of all of the Trustees.

1.3.5 Responsible Trustee's Responsibilities

1.3.5.1 To be aware of all internal issues relating to LHC-NM's finances.

1.3.5.2 To be aware of regulatory and other external issues relating to LHC-NM's finances.

1.3.5.3 To communicate with external bodies (e.g. HM Customs and Revenue) when the communication should come from a Trustee.

1.3.5.4 To provide advice, support and assistance to the Treasurer as required.

1.3.5.5 To supervise the work of the Treasurer.

1.3.5.6 To deputise for the Treasurer in their absence.

1.3.5.7 To work with the Treasurer to produce LHC-NM's Accounts and the financial part of the Trustees' Annual Report.

1.3.5.8 To monitor the implementation of LHC-NM's financial policies and (in consultation with the other Trustee(s)) to review and update the policies as necessary.

1.3.6 Treasurer's Responsibilities

1.3.6.1 To have overall responsibility for payments and receipts, ensuring integrity and transparency by all involved in the handling of funds (including the Trustees).

1.3.6.2 To maintain up to date, computerised accounts. Transactions are recorded in monthly spreadsheets, in an annual workbook, for each of the Bank Accounts, with opening and closing balances.

Each month: The Bank Statements for each account will be passed to the Responsible Trustee, normally within 2 days of arrival.

The Responsible Trustee will review the Statements, and deliver them to the Treasurer, normally within 2 days of receipt. At the same time, should there be any queries or concerns about the Statements, the Responsible Trustee and the Treasurer will discuss them and agree any necessary course of action. The Treasurer will then produce the spreadsheets for the month, normally within 10 days of receiving the Statements. If this timescale is not practicable in any month, the Responsible Trustee should be asked to deputise. The updated computer file(s) will be emailed to the Responsible Trustee (and any other Trustee who asks to be included in the mailing) immediately upon completion. This procedure will prevent a backlog of work necessitating catching up.

Backup the computer files to a different computer, at a different location, to minimise the risk of work being lost.

Enable the Responsible Trustee to monitor income and expenditure, and alert the other Trustee(s) to any trends which could affect future spending plans.

Note: As the accounts are updated when the Bank Statement(s) are received, Bank Statement Reconciliation (1.3.6.3) would normally be done at the same time as the accounts.

1.3.6.3 To 'reconcile' Bank Statements monthly. This means checking that All items on the statement should be there, and are for the correct amounts. Any expected items which are missing are accounted for (e.g. a creditor has not yet paid a cheque into their Bank. Any queries, errors or omissions (except as above) are notified to the Responsible Trustee immediately, and checked with the Bank. The statement balance agrees with the expected figure in LHC-NM's Accounts.

1.3.6.4 In conjunction with the Responsible Trustee, to prepare half yearly Accounts, 01 April to 30 September and 01 October to 31 March. These accounts will be used both for reporting to the AGM, and for submission to LHC-NM's Auditors. Using the monthly accounts (from 1.3.6.2), this should be done within 14 days of the close of the period, or before the AGM if earlier. If this is not possible, the assistance of the Responsible Trustee should be obtained.

1.3.6.5 To pay monies (cash and cheques) received into LHC-NM's Bank Accounts within 7 days of receipt by LHC-NM. When this is not possible, the Responsible Trustee should deputise.

1.3.6.6 To pay monies owed by LHC-NM promptly, as soon as authorised by a Trustee.

1.3.6.7 To carry out financial transactions, e.g. Bank Transfers, promptly when authorised by a Trustee.

1.3.6.8 To maintain a paper audit trail of all transactions, including authorising documentation (invoices, Bank paying in slips, Cash Book receipts, expenses receipts, Trustees' written instructions etc.).

1.3.6.9 To maintain up to date files of paperwork. When each month's Bank Statement(s) arrive and are reconciled, the previous month's Statements and supporting documentation should be filed in the Church, under the current Financial Year.

1.3.6.10 In conjunction with the Responsible Trustee, to prepare documentation and computer files required by LHC-NM's Auditors, by 30 April. Where unforeseen delays occur, a later deadline of 31 May can be applied.

1.3.6.11 To deputise for the Responsible Trustee in their absence. (Note: This does NOT involve having the legal authority or responsibility of a Trustee, only ensuring that necessary tasks are completed on time, in consultation with the other Trustee(s).)

1.3.7 Other Responsibilities

1.3.7.1 Other tasks, as necessary, will be carried out by either the Treasurer or Responsible Trustee, by agreement.

1.3.7.2 With the exception of 1.3.6.1, any of the Treasurer's Responsibilities may be delegated to the Responsible Trustee, or (with the agreement of the Trustees) to another appropriate member of LHC-NM.

1.3.8 Implementation

1.3.8.1 Some of the above Responsibilities, where a prior learning process is required, represent longer term objectives, and are not currently implemented. These will be implemented gradually as the Responsible Trustee and Treasurer gain knowledge and experience.

1.4 Receipts Policy

Any offering container, unless locked and secured to the wall, must be kept under continuous observation while in use, to protect the physical security of the offerings.

The container should only be opened/emptied in the presence of two persons. These persons should be members of LHC-NM, and not members of the same family. If possible, different persons should be involved from week to week.

An entry should be made in the Cash Book, showing the amount received as 'Offering', and signed by both persons. If there are any cheques, they should be recorded separately as such. Other funds received as cash or cheques should be similarly recorded under an appropriate heading, e.g. 'Donation for use of Hall'.

Donors making use of Gift Aid should pay directly to the Bank as a Standing Order or other transaction which can be identified on the Bank Statement as coming from them. This is normally via the Gift Aid envelope system. Gift -aid forms are printed on the Envelopes & also available from the treasurer. The top copy of the Cash Book entry should be given to the Treasurer. It will be filed with the Bank paying in slip.

All monies received must be paid into the Bank. Unless there are exceptional circumstances,

Such as overseas speaker without UK Banking, this must be Recorded in the Receipt book at the time within 7 days of receipt (this is a Charity Commission requirement).

No monies received should be used to pay any bills or expenses. These must be paid from the Bank Account, and recorded separately. No monies received should be used to give change, unless witnessed and checked by two persons. (Exceptions to this may be allowed at special events, e.g. charging admission at the door for a fund-raising event.)

Until banked, cash should be kept physically separate from any personal cash, to avoid inadvertent mistakes. Under no circumstances should monies belonging to LHC-NM be paid into any personal bank account. Sometimes money may be given to a member when they are alone, e.g. a donation for use of the Hall. In these circumstances it should be checked by a second person and entered in the Cash Book as soon as possible afterwards.

Extra care should be taken to keep the money separate from personal cash in these circumstances. Money should not be left on the premises, unless locked in the safe. Monies received at special events, e.g. fund-raising events, should be handled in the same way as Offerings.

1.5 Payments Policy

No payment should be made unless authorised by a Trustee. (But note 1.3.6.12 .) For irregular, small, amounts (e.g. Sunday lunches) authorisation is by 'Accountability Slips' signed by one of the Leaders, it may take the form of agreeing a weekly budget, within which individual transactions will not require further authorisation. Every payment **must** be supported by documentation, e.g. a receipt, invoice etc.

The Trustees should not authorise payments for goods and services, without first verifying that the goods and services have been received, are of the appropriate quality, and the invoice is correct.

All payments should be made by cheque. (The Bank requires two authorised signatures for a cheque to be valid.) Blank cheques **must not** be signed. Signatories should see the supporting documentation, and verify the amount and full details on a cheque, before signing.

Current authorised signatories are:

Robert (Bob) Mullins

Alph King

Sam Jayakrishna

LHC-NM does not operate a Petty Cash float.

Suppliers who insist on payment in cash, or offer significant discounts for cash, should not be used. Such persons may be involved in criminal concealment of their true income, and would be more difficult to pursue in the event of problems with their workmanship. Reputable suppliers will offer a written quotation, and then invoice for work completed.

Payments should be authorised and paid promptly. The Late Payment of Commercial Debts

(Interest) Act 1998, as amended and supplemented by the Late Payment of Commercial Debts Regulations 2002 allows suppliers to Add penalty charges to the amount owed (£40 if under £1000 is owed, £70 if under £10,000 is owed, £100 if £10,000 or more is owed). Add interest, at 8% over the Bank of England's Base rate.

If either provision is not used at the time, charge it retrospectively for up to 6 years. This means that if a business enters receivership or is sold, the Receivers or new owners could have a charge on its former customers.

Unless agreed otherwise in writing, a payment is overdue after 30 days from the date of the invoice, or the date of supply of the goods or services. Penalties also apply if payments or submission of forms to HM Revenue and Customs are late, even if no money is owed.

1.6 Reserves Policy

In view of the financial risks identified in the Risk Assessment below, the Trustees consider it to be prudent to hold reserves as follows:

General Reserve: £7,500

Property Reserve: £10,000

TOTAL RESERVE: £17,500

Further, if the church membership increases with significant numbers of new believers, it is possible that LHC-NM will need to employ at least a part time pastor, before the new believers reach a point of spiritual maturity at which they start to contribute significantly to church income. Funds should also be reserved for this, but are not currently available. Funds are not currently sufficient to cover the reserves required.

2 Risk Assessment

2.1 Income

LHC-NM's income is derived partially from rent payable on the Manse. If a tenant were to move, or encounter financial difficulties, LHC-NM would lose a significant proportion of its income. Finding a suitable tenant, can take some time. The rest of LHC-NM's income is derived from gifts and offerings from its members and worshippers. If any of these were to move from the Church, LHC-NM would lose proportionate income.

LHC-NM does not seek donations from the general public to support its Charitable objectives and therefore cannot raise additional income by directing fund-raising efforts towards the public.

2.2 Expenditure

LHC-NM has 4 properties, the Church, the Hall, the Flat and the Manse. In addition to the regular running costs (gas, electricity etc.), such premises tend to require occasional large capital expenditure. These outgoings cannot always be planned, e.g. an old central heating boiler breaks down, and is not economical to repair, so has to be replaced. The Trustees have a legal duty to protect LHC-NM's property, e.g. to repair a damaged roof quickly,

before further damage occurs. There is also a duty to the tenants of the Manse.

If a tenant were to move, it would be normal practice to redecorate/renovate the property in order to maximise the rent which can be obtained, before letting it again.

In the current politically correct and litigious environment, LHC-NM could face legal action from a number of sources. To minimise any risk, we will require all users of the properties to adopt appropriate 'good neighbour' awareness and practices to avoid causing deliberate offence or inconvenience to other local residents.

It is the policy of LHC-NM not to let the Church or Hall for commercial gain, or to the general public. With the exception of honouring existing agreements, the premises are only available for the charitable objectives of LHC-NM, i.e. activities conducted for the practice and propagation of the Evangelical Christian faith.