

Diocese of Hallam

Parish Administration Handbook

Section 1 – Parish Finance Committees

Parish Finance Committees

1.1 Duties & responsibilities of the Parish Priest

The parish priest has the task of building a community of disciples in the parish, recognising the other parish communities, and with them under the Bishop, consciously constituting the Church of Hallam. Parish priests have the right and responsibility of administration according to both canon and civil law to make this come about.

In *Canon Law*, a parish priest is the Administrator of the parish and acts in the person of the parish (Canon 532). Subject to the limits set by the Bishop (Canon 1276) he holds responsibility to administer parish goods in accordance with Canons 1281 –1288 and he must ensure that the temporal goods of the parish are administered correctly.

In *Civil Law* the parish priest is the agent of Diocese of Hallam Trustee, a trust corporation administering the Roman Catholic Diocese of Hallam Trust (Registered Charity No. 512021). He is delegated with the responsibility of administering the temporal goods of the parish in accordance with the purposes of the charity as stated in the Trust Deed of the Diocese.

The parish priest must ensure that an effective Parish Finance Committee is formed in accordance with Canon Law and Diocesan guidelines, and that all relevant information is made available to its members. Whilst the parish priest is encouraged to delegate many parish financial and administrative matters to people with relevant expertise, it is his duty to keep himself fully informed of all material matters relating to the parish. He must ensure that all necessary documents are completed accurately and on time. He is ultimately responsible for the administration of the juridical person – the parish. That responsibility cannot be delegated.

The Director of Finance is happy to discuss any financial matters, or provide information and guidance.

1.2 Duties & responsibilities of the Parish Finance Committee

Canon 537 states that “*in each parish there is to be a finance committee to help the parish priest in the administration of the goods of the parish, without prejudice to Canon 532*”. The Parish Finance Committee is a consultative body that assists the parish priest.

The Parish Finance Committee must be consulted over any expenditure in excess of £5,000. It is essential that the Parish Finance Committee be consulted before any application is submitted to the Finance Board:-

- To carry out work costing more than the permitted maximum (currently £5,000).
- To lease, sell, demolish or structurally alter parish property.
- To appoint approved architects or contractors
- For any expenditure other than regular running expenditure where the parish is in debt
- To borrow from the Diocese for any specific purpose
- To create a paid parish post of over £5,000 per annum

- To open a new bank account which shall be opened within the diocesan banking system

To act legitimately (canon 1281) the Parish Finance Committee must follow Diocesan policy. Among other things, the Diocesan policy:-

- Affirms central banking
- States that separate deposit accounts shall not be maintained
- Requires that current account balances should be limited to immediate needs. "Excess" funds should be deposited with the Diocese
- Major projects to be submitted to the Finance Board
- Parishes must obtain approval from the Finance Board for any **project** above £5,000.

The Parish Finance Committee must follow the principles of good housekeeping, namely:-

Parish Property & Insurance

The Parish Finance Committee shall ensure that parish property is well maintained and safe and that due diligence is exercised over all parish assets. In larger parishes, a separate "Property" Committee may exist and provide reports to the Finance Committee. In other parishes one Committee may be established to deal with Finance and Property issues. The Director of Finance arranges insurance, in accordance with Diocesan policy, via the Catholic Church Insurance Agency. The Parish Finance Committee is responsible for re-assessing insurance valuations of properties, with advice from the Diocesan Property Manager, in good time before the renewal in September. The Parish Finance Committee will have access to all Diocesan guidelines in connection with finance and property administration and shall ensure ownership in civil law and observe the provisions of civil and canon law to prevent damage to the Church. It is a requirement of civil law that a copy of the current Employer's Liability Insurance Certificate is displayed in all parish property that is open to employees and volunteers. Copies are automatically provided to parishes by the insurers and further copies are available from the Finance Department on request.

Accounts

The Parish Finance Committee will have full access to the books of account, bank statements and other documents necessary at every meeting, and at other times as required. The annual accounts must be presented to the Finance Committee and then published to the Parish. The Parish Finance Committee may decide on the form in which this will be done, so long as they conform to the minimum regulations made by the Diocese. The Parish Finance Committee shall assist the parish priest in submitting the Financial Return to the Finance Department of the Diocese by the end of February annually. The parish priest shall always sign the Financial Return and Accounts, together with one member of the Finance Committee.

The Parish Finance Committee shall ensure that the parish is conscientious about income and payments, and keeps accurate records. They shall also ensure that the parish preserves in suitable archive the documents and records establishing the rights of the Church and its goods.

Employees

The Parish Finance Committee will ensure that any lay staff employed in the parish are, in accordance with Canon 1286, paid a fair wage and ensure that civil laws (National Minimum Wage, Working Time Directive) are observed. Employees **cannot** be paid on the basis that they are responsible for their own tax. The Parish must comply with the requirements of the PAYE system and issue an employment contract. Guidance is available on these issues. In all circumstances relating to employees if in doubt, please seek advice through the Finance Department. Where remuneration is below the National Insurance threshold (£420 per month or £97 per week as at April 2010) the Inland Revenue will operate a relaxed scheme, even where the individual has another job or pension. Where remuneration is above that threshold PAYE must be operated. Advice is available from the Finance Department in both cases. Where a new post is created, and remuneration exceeds £5,000 per annum, the creation of the post must be approved by the Finance Board before recruitment commences.

Litigation

The Parish Finance Committee must ensure that, in accordance with Canon 1288, all litigation is avoided and that where this is not possible, the permission of the Bishop is obtained, by application to the Director of Finance.

Tenders

All major work must follow normal tender procedure, and at least three tenders must be obtained. Tenders are recommended for work in excess of £2,000 value, but must be obtained for work in excess of £5,000. All tenders must be received in writing. For projects below £5,000 the Parish Finance Committee (or Property Committee if appropriate) shall open the tenders and approve the work. For project above £5,000 the Parish Finance Committee shall receive the tenders and forward them to the Finance Board with the request for permission and their recommendation.

1.3 Composition of the Parish Finance Committee

The Committee shall be constituted as follows:-

- a) *Ex Officio*
 - The Parish Priest
 - Parish Administrator: Where a Sister of Sisters serve as Parish Administrator their letter of appointment will make them Ex Officio members of the Parish Finance Committee.
- b) *Lay Catholics* – At least three lay Catholics appointed by the parish priest (Canons 492/3)

The size of the Parish Finance Committee will vary depending on the size of parish, but as a minimum should include the Gift Aid organiser, someone with a financial background and bookkeeping ability, and (where property issues are dealt with by the Finance Committee) one person with relevant property expertise. Employees of the parish may attend Parish Finance Committee meetings in connection with their

employment (e.g. a part-time Parish Secretary with bookkeeping responsibility) but shall **not** be a member of the Committee.

1.4 Parish Finance Committee procedures

A quorum for meetings is the Ex Officio member plus two appointed members.

Written notice of meetings shall be given to all members seven days in advance of all meetings, unless a shorter time is agreed by all the members. An agenda should be circulated before the meeting.

The Parish Finance Committee shall hold at least three Ordinary meetings in the course of the year. They should consider the budget, consider the accounts and measure progress regarding the budget. Extraordinary meetings may be called by the parish priest or two other members. The business to be discussed at an extraordinary meeting shall be declared in advance, and seven days written notice shall be given unless a shorter time is agreed by all the members.

Members shall be appointed for three years (to retire in rotation) but shall be eligible for re-appointment. Parish priests should take account of the need to recruit new members from time to time. No-one should be made to feel that they have to hold a post indefinitely. If a member resigns another person must be appointed for the remainder of his/her term. Additional members may be co-opted for a period as determined by the Parish Finance Committee. Following a changeover of parish priest the Parish Finance Committee shall continue until such time as the new parish priest changes the membership of the Committee. Where a parish is without a parish priest for any period the Chairman is responsible for ensuring that the parish finances continue to operate effectively. The Chairman must consult the Director of Finance, Vicar General and the Dean for advice during that period.

One member of the Parish Finance Committee shall be nominated as Secretary and shall ensure that written minutes are kept of all meetings.

The Parish Finance Committee shall elect a Chairman at the first meeting of the Committee each calendar year. It may be appropriate for a member other than the parish priest to be Chairman. The parish priest may freely replace any member at any time. The Director of Finance must be consulted if there is a need to replace the entire Parish Finance Committee in any one year. The Parish Finance Committee is regulated by the universal law and by the norms laid down by the Diocesan Bishop. It is the only council or committee prescribed by canon law. It is good practice to hold a parish meeting every year. The parish priest and Parish Finance Committee can present a report to parishioners on the activities of the parish and its finances for the year. Future plans can also be discussed.

The role of the Parish Finance Committee is to support and advise the parish priest in these capacities. They cannot, by democratic vote or by any other means, assume control or act independently.

Members of the Parish Finance Committee shall be advised of the Diocesan procedures for expenditure and loan repayments. They shall also be advised that the assets of all parishes are vested in Diocese of Hallam Trustee and that the directors of Diocese of Hallam Trustee are known as the "Finance Board". They should note that no parish is an autonomous unit in either canon or civil law.

Parish Finance Committee members are not subject to liability either individually or corporately. The Parish Finance Committee should be aware that in civil law the parish is a branch of the Roman Catholic Diocese of Hallam Trust, established by Trust Deed on 30th May 1980. The principle objects of the charity are:-

'To advance the Roman Catholic Religion in the Hallam Diocese by such means being charitable as the Bishop of Hallam may think fit and proper and for the service and support whether in the Hallam Diocese or outside the Hallam Diocese by such means as aforesaid of charitable works and objects promoted by the Church'.

In the event that the Parish Finance Committee collectively have serious concerns regarding the administration of the parish finances, they have a duty to approach the Director of Finance with their concerns.

Minutes

Minutes must be kept of Parish Finance Committee meetings. They shall be signed by the Chairman, and be available to the Bishop on his visitation, and available for examination by the Diocesan auditor on request. The name and address of the Parish Finance Committee shall be forwarded to the Finance Department annually by completing the schedule to the Financial Return.

1.5 Relationship between the Parish and the Diocesan Finance Board

The directors of Diocese of Hallam Trustee are known as the "Finance Board". The permission of the Finance Board must be sought for a number of transactions in order to comply with civil and canon law.

All applications to the Finance Board for permission should be made in writing, to the Director of Finance as Secretary to the Finance Board. Parishes and parish priests may discuss plans and pastoral needs with the Bishop at various times. However, such discussions shall not constitute formal permission from the Finance Board and written application must be made in all instances to the Finance Board via the Director of Finance. The Finance Board meets approximately every six weeks. The dates of Finance Board meetings are published and all items to be considered must be delivered to the Director of Finance, together with all relevant information, at least two weeks before the meeting.

The Parish Finance Committee must be consulted before any application is made to the Finance Board, and their opinion must be forwarded to the Finance Board as part of the submission.

Parishes must apply to the Finance Board:-

- To carry out work costing more than the permitted maximum (currently £5,000)
- To lease, sell, demolish or structurally alter parish property
- To appoint approved architects or contractors
- For any expenditure other than regular running expenditure where the parish is in debt
- To borrow from the Diocese for any specific purpose
- To create a paid parish post of over £5,000 per annum

- To open a new bank account, which shall be opened within the diocesan group

Financial Management

2.1 Parish Accounts

In Canon law, Canons 1284/2 (7 and 8) and 1287/1 state that all administrators must keep accurate records of income and expenditure and render an account of their administration to the Bishop at the end of each year. In civil law, the trustee of the Diocese (Diocese of Hallam Trustee) is required to prepare annual accounts for the Roman Catholic Diocese of Hallam Trust (“the charity”) under the Charities Act 1993. Those accounts must include all branches of the charity, including parishes, diocesan departments, and diocesan agencies. The accounts of the charity must be audited and submitted to the Charity Commission by 31st October annually. To comply with the Charities Act 1993 and the Statement of Recommended Practice (SORP) '*Accounting and Reporting by Charities*' issued by the Charity Commission all branches, including parishes, must submit financial returns or accounts to the Finance Department within the required timescale.

2.2 Parish Financial Returns to the Diocese

The Diocese issues Financial Returns to each parish in January each year. The financial year-end is 31st December. From these forms the Diocese prepares the statutory accounts required under civil legislation. **These completed forms should be returned to the Finance Department by the end of February.** Delays in submission of these forms delays preparation and submission of the statutory accounts of the charity and which could lead to penalties and other sanctions by the Charity Commission. Transactions between the Parish and the Diocese via the Parish Ledger should not be included in the main income and expenditure sections of the Return. They should be entered in Section D, and generally such transactions will be pre-printed on the Return to assist parishes.

2.3 Publication of Parish Accounts

Canon 1287 states that administrators should render accounts to the faithful concerning the goods they have given to the Church. To discharge this duty, an annual financial statement must be made available for all parishioners. Examples of the format of parish accounts are given in the appendices. Published parish accounts must show total income and total expenditure, i.e. transactions through the parish bank account **and** through the Parish Ledger system. The bank balance as at 31st December and the parish's position with the Diocese in the Parish Ledger system (the parish debt or parish deposit with the Diocese) should also be published.

It is strongly recommended that the total of all donations, i.e. Offertory plus standing orders and special collections, is published, for example in the weekly parish newsletter, notice board, or website. To comply with civil legislation the words “*A branch of the Diocese of Hallam – Registered Charity No. 512021*” or “*A branch of the Diocese of Hallam – A Registered Charity*” must appear wherever such financial details are published.

2.4 Budgets

In accordance with best practice, and Canons 1284/3, administrators are required to draw up an annual budget of income and expenditure. This should be prepared and agreed by the Parish Finance Committee by January at the latest. The budget should be monitored at least half-yearly to see that it is on course.

2.5 Banking

Bank Accounts

All Diocesan and Parish accounts are with HSBC Bank plc, Carmel House, 49 Fargate, Sheffield. S1 2HD in the Offset Banking System. The Offset Banking System was established on formation of the Diocese in 1980. The total of all accounts in the group structure is offset against debit balances and the balance invested on the money market to earn interest. This interest is offset against the Assessment each year. There is no physical movement of funds. There are no external debts to banks within the charity. Each parish’s current account balance should be kept at the level required for ongoing expenditure. Excess funds should be deposited with the Diocese through the Parish Ledger system.

As a guide, the maximum amount to be consistently held in a parish bank account should not exceed one quarter of the parish’s annual expenditure normally met through the current account (i.e. one quarter of the total for Section C in the annual Financial Return. This excludes Parish Ledger transactions). This is subject to a minimum threshold of £5,000 and maximum level of £20,000. For example:-

Annual Parish Expenditure per Financial Return	Maximum Balance
Below £30,000	£7,500
£50,000	£12,500
£70,000	£17,500
Above £80,000	£20,000

Parishes should only need one bank account. Additional accounts can cause accounting complications, but where they exist a full statement of income and expenditure for such accounts **must** be included in the Finance Return to the Diocese each year and the details for such accounts included in Section A.

Parishes are not permitted to hold funds in bank or building society accounts outside the Diocesan banking system. Parishes must obtain authority from the Finance Department before any new bank account is opened.

Parish bank accounts should only be used for parish purposes, and should not be used to meet the personal liability of parish priests. It is, therefore, inappropriate for car loan repayments and other personal payments to be set-up on parish bank accounts.

The account name of all bank accounts must be in the style “Diocese of Hallam:<Name of Parish>”. The phrase “A Registered Charity” or “Charity Registration No. 512021” must appear on all cheque books. This is automatically pre-printed for accounts held within the Diocesan Banking structure.

Overdraft

Overdraft facilities are **not** available and care must be taken to ensure there are sufficient funds in the parish bank account to meet all cheques, standing orders and direct debits. The bank has standing instructions not to permit parish accounts to go into overdraft, and in the event that there may be insufficient funds to meet a payment the Director of Finance must be contacted immediately in order to address the position.

Bank Mandates

The parish priest must be a signatory on all parish bank accounts. It is important to have alternative signatories. This may be a neighbouring priest, the Dean, or two members of the Parish Finance Committee who must sign together (i.e. both to sign) and must not be related. The Bishop and the Director of Finance are also authorised to sign on all accounts. **Blank cheques must never be signed.** It is important to keep the bank mandate up-to-date, and the Director of Finance must be advised in writing of all changes. In the event of the appointment of a new parish priest, the Director of Finance will make the necessary arrangements directly with the bank.

Cheque Authorisation

Cheques in excess of **£5,000** must be countersigned by one of the Diocesan Trustees (i.e. a Member of the Finance Board of Diocese of Hallam Trustee). Amounts above this figure should generally be settled through the Parish Ledger system and the amount debited to the Parish's deposit/loan with the Diocese. The bank will reject any cheque above £5,000 that is not countersigned in this manner. Where payment above £5,000 is to be made from the parish bank account, the cheque and supporting invoice must be sent to the Finance Department. **Parishes are not permitted to issue multiple cheques below £5,000 to cover a single payment or project.**

Bank cards

Parish debit cards (*Maestro*) and credit cards are available from HSBC Bank plc for parish priests by arrangement with the Finance Department. They must only be used for parish expenditure, and not for personal expenditure. Debit card payments are taken immediately from the bank account. Repayment of the full amount of credit card balances must be made by direct debit each month.

Overseas payments

Extreme caution must be taken in making overseas payments. Any request to make a payment overseas should be referred to the Director of Finance. Regrettably there has been a substantial increase in the number of hoax appeals and false "legacy notifications" received from abroad. On no account should any payment be made overseas from a parish bank account, or bank details released to such requests, without consulting the Director of Finance.

2.6 Parish Ledger

The Parish Ledger system has been in operation since the formation of the Diocese. Through this system, excess parish funds are deposited with the Diocese. They are held for the credit of that parish. The global credit balance is used to finance loans to other parishes. To demonstrate mutual support and growth as Church in the Diocese of Hallam, no interest is charged on loans and no interest is credited on credit balances.

The Parish Ledger is also the statement of each parish's position with the Diocese. Transactions between the Parish and the Diocese and other transactions managed by the Finance Department on behalf of the parish will be reflected through the Parish Ledger as follows:-

Income

- ❑ Gift Aid tax recovered credited when received from the Inland Revenue
- ❑ Rental income from investment properties credited in the month received
- ❑ Loan repayments or deposits sent to the Finance Department from the parish bank account
- ❑ Remittance of clergy health insurance premium from the parish bank account in the month received.
- ❑ Remittance of insurance from the parish bank account in the month received.
- ❑ Remittance of the Assessment from the parish bank account in the month received.
- ❑ Donations that may be made for the benefit of the parish through CAF or Give As You Earn schemes.
- ❑ Hospital Chaplaincy income where an arrangement is made between a group of parishes and a hospital or Primary Care Trust.
- ❑ Any other amounts received from parishes treated as credits to the Parish's account with the Diocese.

Expenditure

- ❑ Parish Assessment debited to the Parish Ledger on 31st December annually.
- ❑ Clergy Health Insurance premium debited in July/August.
- ❑ Parish insurance premium debited in October.
- ❑ Payment of parish invoices for major projects in the month paid, e.g. amounts over £5,000
- ❑ Salaries and related expenditure where the Finance Department deals with payment of parish employees, debited in the month of payment.
- ❑ Inter-parish transactions at the request of individual parishes.
- ❑ Any other amounts paid on behalf of parishes, debited in the month of payment.

2.7 Collections and Donations

Offertory Collections

The Offertory collection at each Sunday Mass is the main source of income for any parish. Standing orders under the Gift Aid system are regarded as offertory income. Second collections that are for the benefit of the charity, and **not** for the specific benefit of other charities, shall also be regarded as offertory income in the parish accounts. As with all parish income, offertory collections are meant for the upkeep of the parish and its properties, and for the support of the parish clergy. The collections at Easter and Christmas represent income, which by custom and tradition, can ultimately form part of the parish priest's remuneration. It is recommended that Christmas and Easter offertories are recorded as Parish income and recorded in the parish accounts and Financial Return. The totals should then be included as income, and the corresponding amounts that are drawn as clergy remuneration should be shown as parish expenditure. Any amounts donated in Christmas and Easter collections in this manner are eligible to be included in the Gift Aid scheme provided they comply with the normal rules (i.e. numbered envelopes, audit trail, etc.). The tax recovered on Christmas & Easter collections is the income of the parish.

Alternatively, where a second collection is taken at Christmas and Easter as a gift to the parish priest (in addition to the parish offertory) or where the parish offertory is not taken and a specific collection is taken in its place as a gift to the parish priest then the funds will not be treated as parish income, and will not be eligible for Gift Aid provided the arrangements have been explicitly outlined in that manner by announcement and/or parish newsletter.

Third Party Collections

In addition to the offertory collection, other collections may take place. The Diocesan Year Book lists the dates of collections to be taken by "*Order of the Bishop*" and also gives details of collections that may be taken by "*Permission of the Bishop*". The following collections ultimately benefit the Diocesan charity, and may therefore be included under Gift Aid:-

- Catholic Education Service – CES (towards Assessment)
- Priests' Training Fund
- Needy Parishes Fund
- National Catholic Fund – NCF (towards Assessment)
- Caring Services

All other collections must not be included in the Parish's Gift Aid system since they are for the benefit of other charities. Separate guidelines are published by CAFOD and other charities concerning their own Gift Aid procedures.

Collections towards the Assessment (CES and NCF) **do not** need to be remitted to the Finance Department and may be retained by the parish since they are to assist the parish in financing the assessment. Collections for the Priests' Training Fund, Needy Parishes Fund, Diocesan Caring Service and all other collections should be remitted within one month in accordance with the details printed in the Diocesan Year Book.

Where the Finance Department acts as a collecting agent on behalf an appeal throughout the Diocese (e.g. World Day of Communications, Peter's Pence, Mission Sunday, Catholic Association for Racial Justice, etc.) the amount collected should be

sent to the Director of Finance, by cheque made payable to “Diocese of Hallam” within one month. Any amounts not sent within one month of the collection should be carried forward until the following year.

Occasional collections may be taken at the discretion of the parish priest for CAFOD, Missionary Appeals, etc. Frequently there is a visitor who makes the appeal. **The collection should first be banked and the full amount passed on as soon as possible by cheque to the beneficiary.**

It is important that all collections on behalf of third parties are paid out of the parish bank account within one month, and certainly by 31st December annually.

Gift Aid

Although the work of administering the Gift Aid scheme is usually the responsibility of one organiser, the Parish Finance Committee is responsible to the Parish, the Diocese, and the Inland Revenue for the correct running of the Gift Aid scheme. Separate guidelines have been issued for Gift Aid Organisers and should be made available to Parish Finance Committee members to examine. Many Gift Aid donors pay their donations by standing order. This is actively encouraged since it gives a regular income to the parish and is the best way of evidencing receipt of donations to the Inland Revenue. A written summary of donations received in this manner should be maintained, in addition to the bank statements.

After the Gift Aid Tax has been recovered, individual letters addressed to each donor will be sent out to each parish for distribution. These letters record the amount given in the tax year and are a valuable audit tool. It is important that these letters are distributed upon receipt – some parishes include a covering letter to express appreciation.

2.8 Legacies

Guidance notes on the drawing up of wills are published in the Diocesan Yearbook and are reproduced in the appendices. Legacies for charitable purposes are exempt from inheritance tax and as a registered charity the Diocese can benefit from bequests. Care must be taken on the wording and draft wording is given in the appendices.

Parishes must advise the Finance Department of all legacies when notification is received. Full details of the legacy should be requested from the executor, and in all cases a copy of the will should be obtained. For bequests above £5,000 the copy will should be forwarded to the Finance Department.

Whilst the receipt of a legacy may be an unexpected bonus, there are important legal obligations that the parish must take account of as a charitable beneficiary, and advice should be sought in all but the most straightforward of estates.

It is particularly important that where there are any restrictions on use, the matter should be discussed with the Director of Finance **before** acceptance.

2.9 Foundation Masses

Please do not accept Foundation Masses without consulting the Chancellor and the Director of Finance. In view of present circumstances, the Diocese does not encourage the acceptance of Foundation Masses as they can place a burden upon the parish priest.

2.10 Investments

Parishes are **not** permitted to hold investments in equities, fixed term bonds, etc. Parishes should not therefore invest in shares, or any form of investment. Redundant parish property may, however, be let commercially and may then fall under the category of "investment". In civil law, Diocese of Hallam Trustee is responsible for all investments, and the Finance Board is obliged to obtain appropriate independent advice for all investment under civil legislation (i.e. The Trustee Act 2000 and The Charities Act 1993). Parishes must seek advice from the Diocesan Property Manager before any parish property is let exclusively and a proper lease must be drawn-up.

2.11 Lease, disposal and purchase of Parish Property

The Bishop and Finance Board must give authorisation for the lease, disposal or purchase of all Parish Property under both Canon and civil law.

Under civil law (s36 Charities Act 1993) a report must be obtained from a qualified surveyor in the specified format before the Finance Board can formally agree to the disposal of parish or diocesan property.

The same report must be obtained before entering into any lease to let parish or diocesan property for a period of 7 years or more.

In all circumstances, civil law requires that a market rent should be charged for the occupation of redundant parish property. The only exception to this is where the tenant is a registered charity. Similarly, the law requires the charity's trustee to obtain the full market price for the disposal of all property.

The advice of the Diocesan Property Manager must be sought before any negotiations are entered into for parish property to be let, advertised for sale or before any substantive arrangements are entered into for the purchase of land or buildings. Parishes must seek authority from the Finance Board for all leases, disposals and purchases. The Finance Board (Diocese of Hallam Trustee) must execute all legal documents relating to the lease, disposal, and acquisition of parish property, and granting of rights or charges over parish property. Parish priests do not have authority in civil law to sign such documents.

2.12 Loans

Parishes are not permitted to give loans to private individuals, businesses, schools or other entities. Loans should not be made to clergy from parish funds. Clergy may apply

to the Diocese for an interest free loan of up to £5,000 (e.g. to purchase a car), and should approach the Director of Finance or Vicar General in the first instance.

Interest free loans are available to parishes from the Diocese to fund parish projects that are approved by the Finance Board, provided they can be repaid within 10 years.

Parishes should not receive loans from private individuals or trusts, except with express permission of the Finance Board. This includes loans from parish priests. Parish priests must not use their personal funds to finance parish expenditure, thereby creating a loan.

2.13 Expenditure Approval

Parish expenditure in excess of £5,000 on any one item, service, product or project requires the approval of the Diocese (i.e. the Finance Board). This applies whether or not the payment is by one or more cheques. Whilst parishes have an obligation to deal with ongoing repairs, any upgrading of parish property that could be considered one “project” must receive approval of the Finance Board where the total cost including VAT and fees exceeds £5,000. The Finance Board must also approve the creation of a new parish post where the total costs will exceed £5,000 per annum.

2.14 Parish Trusts

A small number of older parishes have separate trusts either providing land and buildings, or exceptionally income from capital. Where parish land is vested in a special trust, this has little practical effect on a day-to-day basis. However, care must be taken in the administration of Parish Trusts, where they exist, and specific advice sought from the Finance Department.

2.15 Assessment

The main source of income for the Diocese is the Assessment levied on all parishes. Canon 1263 authorises the Bishop to make such a levy for the needs of the Diocese. This tax must be proportional to income. The Assessment finances central services, the pastoral activities of the Diocese, and the Diocese’s contribution to national levies (e.g. National Catholic Fund, CES, etc.).

The Finance Board sets the Assessment total each year. The Assessment Sub-Committee decides how this amount is collected – i.e. the amount to be collected from each Parish. The Sub-Committee then looks at each parish individually and occasionally adjusts the suggested Assessment.

2.16 Taxation

Charities are exempt from most forms of direct taxation. However, there are very few exemptions from indirect taxation (VAT, etc.).

Income and Corporation Tax

The Diocese can recover tax on donations through the Gift Aid scheme. Separate guidelines are provided for the administration of this scheme.

Charities do not pay income tax or corporation tax on their charitable activities or on trading carried on as part of the objects of the charity. However, charities are liable to pay tax on non-charitable trading and such activities must be carefully considered and advice sought from the Finance Department.

The Diocese receives interest gross, and any income tax deducted from payments to parishes (e.g. interest paid on legacies) may be recovered through the Finance Department.

Capital Gains Tax

Charities are exempt from capital gains tax. Donors can reduce their own liability to capital gains tax under the Gift Aid scheme.

Stamp Duty Land Tax (SDLT)

Charities are exempt from stamp duty land tax.

Business Rates

Churches and Church Halls are exempt from business rates under the Local Government Act 1988. The casual letting of church halls does not affect this exemption. However, the lease of property at arm's length for a long period may create a liability, and the responsibility for business rates in those circumstances should fall on the tenant, and be provided for in the lease.

Council Tax

Presbyteries are liable for Council Tax, but this is a parish liability. It is not the personal liability of the clergy. Churches and Church halls are exempt.

Where part of the presbytery is used exclusively for Parish use it is possible to ask for the valuation of the property to be amended so as to exclude those rooms. Please contact the Diocesan Property Manger for advice.

The following discounts are available and should be considered by the Parish Finance Committee in the event of any change in circumstances:-

- ❑ Single occupancy – 25%
- ❑ Empty and awaiting occupancy by clergy – 100%
- ❑ Empty new dwelling for 6 month – 100%
- ❑ Empty dwellings undergoing major works, for six months – 100%
- ❑ Religious communities – 50%

Inheritance Tax

Legacies to charities are exempt from inheritance tax (see legacies section).

Value Added Tax (VAT)

The Diocese and parishes are not businesses and cannot register for VAT. Therefore, like private individuals, VAT cannot be reclaimed. There are, however, specific rules that enable some services to be charged at 0% VAT. These include some building works, specifically associated with new charitable buildings and works associated with disabled access and loop systems. The regulations concerning building works are complicated, particularly for extensions and annexes, and the advice of the Diocesan Property Manager should be sought.

Where a certificate is required to certify that a project is eligible for Zero-Rating, for example in the case of the construction of a new charitable building, this must be signed by the Finance Board. It cannot be signed by the Parish Priest or the Parish Finance Committee. It is important that all documentation, contracts, and invoices refers to "Diocese of Hallam:-<Name of Parish>".

The government has also introduced a grant scheme designed to reimburse charities the full 17.5% VAT charged on building works to **listed** places of worship. Details of the scheme are given in the property guidelines and assistance is available from the Diocesan Property Manager.

VAT on energy is levied at the lower rate of 5% for charities, and parishes are not liable to the climate change levy. Parish Finance Committees should regularly examine invoices from their energy suppliers, particularly the higher invoices, to ensure that they are paying VAT at the correct rate of 5%.

Gift Aid envelopes and press advertisements can be charged at 0% VAT to charities.

Goods donated and sold at small scale fund-raising events (jumble sales, etc.) are also exempt from VAT.

A proper invoice must always be obtained from all suppliers before payment is made. Paying cash for goods or services to avoid VAT is a criminal offence.

2.17 Rental Income and renewal of leases

Where a parish receives casual rental income from the letting of the church hall, or other parish property such income shall be recorded gross and included in the parish accounts and Financial Return.

Where a parish leases redundant parish property at arms length, the rental income from such properties should be remitted directly to the Finance Department for the credit of the parish in the Parish Ledger System. Depending on the scale of the property, the parish may instruct a professional firm to collect rents on its behalf provided they advise the Diocese and ensure that the rental income is remitted directly to the Finance Department. In these circumstances rent statements should be sent to the Diocese with duplicates to the Parish. Where tenants pay by standing order, or BACS they should be

asked to remit to the main diocesan bank account, details available from the Director of Finance, and **not** the parish bank account.

Careful attention is required in order to deal with the renewal of leases. The Finance Board must approve all leases and renewal of leases. The advice of the Diocesan Property Manager must be sought at an early date, and at the latest 10 month's prior to renewal since in some circumstances action may be required 6 months prior to expiry. The Diocesan Solicitors, Taylor & Emmet should be instructed to act in connection with all leases and licences relating to the occupation of Church property. It is important that rent is charged at market rates (unless the tenant is a registered charity) and that rent reviews are undertaken in accordance with the lease. Under no circumstances should leases be automatically renewed on existing terms. Where the term of the lease exceeds 7 years, an independent Surveyor's Report must be obtained in a format that complies with s36 Charities Act 1993 before the Finance Board approves the lease.

There are no Proprietary Clubs in the Diocese of Hallam. All Catholic Clubs within the Diocese are Members clubs. In some cases the land and/or buildings are owned by the parish and vested in Diocese of Hallam Trustee. Despite the close connection and between a parish and such clubs, it is important to recognise that a market rent must be paid where a club is in occupation of parish property, and an up-to-date lease must be in place and complied with. Clubs are not charities, and the parish cannot make grants or offer concessionary rent to any Club.

2.18 Grant Applications

All application to the Community Fund (National Lottery) or Heritage Lottery Fund must be authorised by the Finance Board prior to submission. Where applications are successful, a copy of all grant correspondence must be forwarded on receipt to the Finance Department. All payments in connection with such projects shall be made via the Finance Department. All grants must be remitted to the Finance Department immediately upon receipt in the exact amount received to aid reconciliation.

2.19 School Funding by Parishes

It is the responsibility of the School Governors to raise sufficient funds to cover their 10% liability for capital and repair works. These monies should be kept in the Governors' Fund bank account. On no account must capital payments on behalf of schools or DfES grants, or loans to schools, be dealt with through parish bank accounts.

2.20 Mass stipends

Mass stipends are the personal property of priest who receives the intention. For ease of administration some priests prefer that all Mass stipends are received by the parish and they receive remuneration from the parish on a monthly basis. Where this is the case, Mass stipends must be recorded as parish income, but otherwise the priest should record the receipt as his personal income.

In all circumstances a record must be kept within the parish of all Mass intentions received showing the date received, the intention, the amount and the date the intention has been offered.

2.21 Inter-Parish transactions

Where a parish wishes to transfer funds to another parish - either by donation or loan – the transaction must be considered by the Parish Finance Committee of both the parishes. The decision must be recorded in the minutes of both Parish Finance Committees.

Before any funds are transferred, the parish intending to make the payment must forward a copy of the relevant minute to the Director of Finance with a request for authorisation by the Finance Board. If approved, the transfer of funds shall then take place by the Finance Department, normally via the Parish Ledger.

2.22 Deanery Bank Accounts

Where a Deanery or Deanery Pastoral Council wishes to operate a bank account the Dean should seek the authority of the Finance Board to open an account within the diocesan group banking structure. The signatories shall be nominated by the Dean, but any lay signatories must sign together, i.e. both individuals to sign, and should not be related.

An Income & Expenditure Account detailing the transactions on the account should be made up to 31st December each year, and submitted to the Finance Department by the end of February.

2.23 Cash Handling

It is essential that cash income is accounted for and banked on a weekly basis. The amount banked must be reconciled with the parish accounts.

All cash income – particularly the weekly offertory collection – should be counted with at least two unrelated people present. Ideally a weekly rota system should operate. The counters should sign the record of income each week.

A good principle is that parishes should bank all receipts and draw cash as required by cheque. Where cash is deducted from the weekly offertory before banking, it should be clearly recorded so that both the income and expenditure can be recorded in the accounts.

The separation of duties of personnel involved in parish finances is a prudent safeguard – as much for the individuals concerned as for the parish. Ideally a parish will have a team of counters, someone responsible for banking, and another individual maintaining the accounting records. This may not be achievable in all parishes, and roles may be combined. Parishes should, however, avoid the same individual counting the offertory, banking the funds, and keeping the books.

