



DIOCESE OF EAST ANGLIA

Diocesan policy on PARISH FINANCIAL PROCEDURES

(as at 1.1.2007)

“It is diocesan policy that there be full openness and transparency about finances at every level (parish, diocese, etc)” (*Diocesan Pastoral Plan*, p. 58).

As with all matters involving interaction between parish and diocese, the financial procedures required of each parish by the diocese should be seen in the context of the integral place of parishes within the diocese, rather than a setting of tension between the two.

This Policy contains simply the bare outlines of the policies and procedures contained in the *Diocesan Parish Handbook* compiled by the Diocesan Finance Office. It should be read in that context and in the light of the issues of *Money Matters* regularly produced by that Office.

The procedures in the Parish Handbook comply with the stringent financial and accounting regulations introduced as part of the 1993 Charities Act. Parishes are an integral part of the Diocese, and the Diocesan Trustee is obliged to account for all funds connected to or under its control. From 1st January 1997, the accounts of all parishes have been aggregated with the diocesan central accounts so as to give the complete financial position of the Diocesan Charity and to provide the basis for an external audit of the Charity.

Although parishes have a distinct existence codified in Canon Law (Canon 515), and the Parish priest acts in the person of his parish (Canon 532), the parish priest is subject to the provisions of Canons 1276 and 1287. Under Canon 1276, the Bishop has an obligation to supervise the administration of all goods which belong to parishes; if the Bishop is not satisfied with the administrative arrangements within a parish, he may issue directions to regulate its affairs. Under Canon 1287, an annual “account of administration” must be submitted by the parish priest to the Bishop for consideration by the diocesan financial committee.

The basic principles required by the diocese are outlined in the Parish Handbook:

1. General Requirements of Diocesan & Parish Accounts
2. Collections and Banking
3. Banking with the Diocese
4. Parish account with the Diocese
5. Annual Parish Financial Return (with Appendix 2)
6. The Audit Process
7. Data Protection
8. Parish Finance Committees (with Appendix 5)
9. Approval Procedures for Parish Building Projects (with Appendix 6)
10. Taxation Issues for Parishes

1. The Parish Priest and the Diocese

1.1 “In all juridical matters, the parish priest acts in the person of the parish, in accordance with the law. He is to ensure that the parish goods are administered in accordance with Canons 1281-1288” (Canon 532). Although he may delegate others to carry out certain functions, it is always in the parish priest’s name that these duties are carried out.

1.2 Under the 1993 Charities Act, the Diocesan Trustee is ultimately responsible for the assets held within parishes. In practice, these obligations are delegated to the parish priest, but the exercise of these obligations has to be monitored by the Diocesan Trustee which is entitled to receive regular financial and other reports of the parish priest’s stewardship.

2. The Parish Finance Committee

- 2.1 Every parish is required to establish a Finance Committee (Canons 537 & 1280). When fully developed, such committees provide a key way in which lay people can participate responsibly in the administration of the parish, helping to relieve the parish priest so that he can concentrate on his pastoral and priestly ministry. Every parish should make full use of such a committee, perhaps by developing it into a Finance & Building Committee with a special care not only for the parish finances but also the general oversight of the maintenance and repair of church properties. Such a committee should make full use of professionals in the parish: e.g. qualified accountants, people with banking experience, architect, solicitor, health & safety officer, etc.' (cf. *Diocesan Pastoral Plan*, p. 58)
- 2.2 Besides such canonical requirements, and our Catholic teaching on co-responsibility, it is most unwise for any priest to administer a parish single-handedly. The parish priest is more likely to meet his canonical and civil law obligations if he works closely with those parishioners who have the financial and legal expertise required.
- 2.3 The Finance Committee must follow the principles of good housekeeping outlined in Canons 1281-1288. Appendix 5 of the *Parish Handbook* provides guidelines for setting up a Parish Finance Committee. A Parish Finance Committee should be constituted by the parish priest, any assistant priests and deacons (*ex officio*) plus at least four lay Catholics appointed by the parish priest, to include the parish treasurer. Consideration should also be given to appointing the Parish Gift Aid Officer to the Finance Committee. See Appendix 5 of the *Parish Handbook* for further details.
- 2.4 The duties of the Parish Finance Committee are derived from Canons 1281-1288. This involves assisting the parish priest to fulfil his responsibilities in the following matters:
- 2.4.1 Consideration of the parish's finances as a whole, including weighing the merits of one proposal against another, determining priorities and advising on funding for the parish's annual revenue and capital requirements.
- 2.4.2 Safeguarding and conserving all parish property and goods, including regular inspections, insurance and the preparation of an inventory of parish assets.
- 2.4.3 Advising on the maintenance of buildings and development projects.
- 2.4.4 Observation of the laws relating to contracts of employment, including the requirements of the Inland Revenue.
- 2.4.5 Ensuring that proper records are kept and the annual accounts are prepared and published at the due time and in accordance with the requirements of the Diocesan Finance Board.
- 2.4.6 Prepare an annual budget of income and expenditure, and measure progress regarding that budget. See Appendix 4 for Guidance Notes for Producing a First Parish Budget. The *Code of Canon Law* states: 'It is earnestly recommended that administrators draw up each year a budget of income and expenditure' (*Canon 1284.3*).
- 2.3.7 Ensure that at all stages in reaching decisions, adequate attention is given to finance.
- 2.5 The Parish Finance Committee (is the parish equivalent of the Diocesan Finance Board and) is only an advisory body. It does not represent the parish, but is appointed by the parish priest to support and advise him in his sound administration of the material and financial assets of the parish. Neither the Committee nor any of its officers (Chairman, Treasurer, Secretary, etc) may act independently of the parish priest.
- 2.6 As with the Parish Pastoral Council, however, membership of the Finance Committee should enable suitably qualified lay people to play their full part in parish planning and decision making.
- 2.7 The parish priest should consult the Parish Finance Committee about any proposed substantial expenditure.
- 2.8 The Finance Committee must play a central role in the initiation and furthering of major projects in the parish, for example the building of a new church, parish hall, etc. No parish priest has all the expertise needed to progress such a project on his own (financial, architectural, legal, etc). The diocese will not approve any project unless such structures are effectively in place.

2.9 Moreover, diocesan policy now requires that any major projects in the parish are the subject of full consultation in the parish. The opinions of the local Dean will also be sought (cf. *Diocesan Policy on Parish Structures for Lay Participation*, 1.4 – this folder page 13). See 3.5.2 below.

3. Diocesan Approval for Parish Building Projects

3.1 In some cases, consultation at a diocesan level is essential. Appendix 6 of the Parish Handbook explains when and how a parish is required to obtain diocesan approval of proposed expenditure.

3.2 Diocesan approval is not required if the proposed expenditure

- (a) does not involve any re-ordering of the church,
- (b) is below £5000 and does not involve any structural alterations to parish buildings and/or does not form part of a larger scheme,
- (c) it can be funded from parish funds,
- (d) and it does not relate to a listed church or a church in a conservation area.

3.3 Generally speaking, the approval of the Diocese is required if proposed expenditure exceeds £5000. In some cases, however, even expenditure under £5000 requires such approval.

3.4 Diocesan approval is required if the proposed expenditure involves one or more of the following:

- (a) any re-ordering of the church
- (b) expenditure is below £5000 but involves structural alterations or a diocesan loan, or is part of a larger scheme
- (c) proposed expenditure is over £5000
- (d) it relates to a listed church or a church in a conservation area, and the work affects the character of the building.

Appendix 6 gives clear guidance in such cases.

3.5 Full completion of a Parish Project Approval Form (PPAF) is essential for any diocesan consideration of expenditure requiring diocesan approval.

3.5.1 It is essential that the PPAF and relevant supporting documentation be received at the diocesan office at least one week before the diocesan meeting at which it is to be discussed, to allow due consideration by the meeting. The dates of all such meetings are given in *Money Matters*.

3.5.2 Parish committees should familiarise themselves with the role of the Diocesan Building Sub-Committee (DBSC) and be aware of the Terms of Reference under which it acts.

3.5.3 The PPAF requires that the Dean be consulted.

3.5.4 In accordance with the Diocesan Policy on Parish Structures for Lay Participation (1.3, 1.4 & 1.5), major proposals always require evidence of full and open discussion by the whole parish community; the provisions of 1.4 in particular should be noted and followed.

1.4 No major decisions about the life, worship, mission or property of the parish should be made without adequate opportunities being offered for full and open discussion by the whole parish community. Although the parish priest will also have to weigh other factors, including the requirements of the diocese of which each parish is an integral part, full consideration should always be given to the views expressed by the parish, and to any vote taken. The way of consensus should be sought whenever possible, with ordained ministers and lay faithful working together in partnership. When the Bishop, Diocesan Finance Board, etc, are asked to approve decisions proposed by a parish priest, a full report of the process of consultation and collaboration will be required, along with particularly detailed justification when a proposed decision does not appear to have widespread parish support.

1.5 When such a major decision is being proposed, an established Parish Pastoral Council or steering group should facilitate an open meeting of the parish to discuss the matter rather than limit discussion to the members. This might simply mean opening a particular meeting of the Council to all parishioners.

4. Other Spending

- 4.1 As well as expenditure on building projects as outlined above, parish spending on any item or project (including salaries, etc) over £5000 requires the approval of the Diocesan Finance Board. Spending on items or projects under £5000 does not require approval so long as that spending is not part of a larger scheme which amounts to over £5000.
- 4.2 Any proposed spending over £5000 must first be discussed and minuted at a Parish Finance Committee meeting. A Parish Spending Approval Form (PSAF) is then to be sent to the Diocesan Financial Administrator for discussion by the Diocesan Finance Board.
- 4.3 The PPAF provisions outlined above in 3.5 also apply to a PSAF.

5. Further Financial Matters

- 5.1 Appendix 3 of the *Parish Handbook* contains notes from the auditors which constitute authoritative guidance on 'best practice' regarding a range of financial procedures. The Diocese strongly urges Parish Finance Committees to keep these issues on the agenda for their meetings, comparing current practice with the recommendations on each matter. Parishes which adhere closely to these guidelines will not go far wrong.
- 5.2 The accounting system of each parish must record (a) the total income of the parish, (b) total expenditure and (c) monthly and end-of-year bank reconciliations. It is essential that parishes distinguish carefully between general funds and funds for restricted purposes.
- 5.3 Parishes must keep all accounting records for a further six years after the end of a financial year on 31st December.
- 5.4 Parishes are required to send in their annual Parish Financial Return to the Diocesan Financial Administrator at the latest by the end of March.
- 5.5 A schedule of Diocesan Levies (currently a total of 37% of Offertory Collections) has been agreed over the years, which support our Priests Pension Fund (8%), the Ministerial Training Fund (1%), our Catholic Schools (20%), and General (8%). All proposals to change such levies will be agreed by the Bishop only after discussion with the College of Consultors and Council of Priests, and after an opportunity for parish priests to discuss the matter with their Finance Committees. Diocesan Levies are in addition to passing onto parishes a share of the national levies on the diocese.
- 5.6 The annual schedule of Mandatory Second Diocesan Collections is required of all parishes. The sum collected should be sent to the Diocesan Finance Office (or elsewhere if stipulated) within a few weeks of the collection being taken, and certainly not left beyond the financial year.
- 5.7 Every parish should publish its annual accounts, so that parishioners can know how the money they give is used.
- 5.8 Parishes are strongly encouraged to deposit surplus funds with the Diocese, which operates rather like a bank, for the benefit of all the parishes of the dioceses. See Section 3 of the *Parish Handbook* for further details.
- 5.9 Parishes involved in the purchase or sale of buildings or land, boundaries, covenants, easements, etc, are required to use the diocesan estate agents and solicitors.
- 5.10 If a Parish Pastoral Council or equivalent, Parish Finance Committee or individuals have an issue with diocesan procedures or decisions, these should be taken by the chairperson or others to the Parish Priest, as the one entrusted with the care of the parish by the Bishop. He should then take the issue to the Dean for an initial discussion. The Parish Priest (with the Dean if appropriate) is then invited to discuss the matter with diocesan officers (e.g. Episcopal Vicar for Finance, Diocesan Financial Administrator and one or more Diocesan Trustees), who may then take the matter to the Bishop and Diocesan Trustees at the Diocesan Finance Board meeting.

Careful fidelity to all the procedures outlined in this document should help to ensure the full compliance of all parishes, as integral parts of the diocese, with both Canon and Civil Law.