

DIOCESE OF EAST ANGLIA



PARISH HANDBOOK

2024 edition

The proper stewardship of the goods of the Church, which are the fruit of the freewill donations of the faithful, is an important duty of charity and is enshrined in Canon Law. I, as Bishop, and parish priests and administrators in their sphere, are required to act as good householders in looking after the Church's assets. This principle aligns precisely with the duties to protect charitable assets that fall to the Diocesan Trustees under civil law. This Parish Handbook sets out the principles which I and my Finance Council (the Trustees) have adopted to enable us all to discharge our duties well.

This revised document is principally addressed to parish priests and administrators, and to their finance committees and treasurers. It gives, I hope, a clearer and more navigable presentation of the guidance we have adopted. It incorporates comments submitted by parishes on a previous consultation draft. Some of the material is new, although mostly this is a restatement of existing guidance. The Curia finance team are always available and willing to help interpret the rules and procedures. You should feel free to contact them for help and they have my encouragement to work constructively with you to navigate a way through any difficult issues that may arise.

Although I am not for the time being giving this document the canonical status of particular Diocesan law, it does have formal standing in the civil sphere in that it is against this guidance that future parish audits will be conducted. It also contains a number of reminders of non-negotiable canonical and civil law requirements. I therefore expect the guidance to be followed carefully.

I do hope that you will find this a helpful guide. The finance team will be grateful to have your reflections as you put this into practice, and would be very pleased to receive your suggestions for further improvements and clarifications in future revisions.

By using the things of this world well, we will be strengthened in our fundamental mission to build up the Kingdom of God in East Anglia. Please accept the assurance of my prayers and support as you undertake that momentous task,

The Rt Rev Peter Collins
Bishop of East Anglia

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PART ONE: GOVERNANCE

1. Financial Governance in the Diocese

- 1.1. The purpose of this Handbook is to help you follow the law as it applies to financial management in a Catholic parish. Sometimes, compliance with the law can feel like a bureaucratic nuisance: it is, however, part of the social teaching of the Church that the law should be respected. The Handbook will try and set out what you need to do in a way that minimises that nuisance factor. But compliance with the law is not optional. Even where we act in good faith, illegal decisions can be void and get reversed; they may also lead to irrecoverable financial loss to the Diocese and to legal penalties. The processes set out in this Handbook must be followed.
- 1.2. One source of potential confusion is that the Catholic Church follows two legal systems: its own – Canon Law – and the civil law – in our case, the law of England and Wales. They are not alternatives: it is a principle of Canon Law that civil law must be respected¹. The two systems rarely conflict. Sometimes, this means that a decision has to be taken under both systems to be valid. That can be a nuisance, but cannot be avoided.

Parish and diocese: canon law

- 1.3 The basic unit of the Catholic Church in Canon Law is the Particular Church headed by an Ordinary. In most cases, that means a Diocese led by its Bishop. The Bishop is responsible for the overall stewardship of the goods of the church in the Diocese and can make financial regulations which are binding in the Diocese (“particular law”).
- 1.4 Within a Diocese, other bodies have their own legal identity (“juridical persons”). Parishes are juridical persons². This means they have the power under Canon Law to manage property and money, subject to any regulations set by the Bishop.

Parish and diocese: Charities Act

- 1.5 Under English law, the position is different. The Diocese is constituted as a single charity which includes the parishes³. When parishes open bank accounts, hire staff, contract with suppliers, or apply for grants, the law considers that it is the Diocese which is acting. Parishes do not own property under English law. In the eyes of the civil law, parish administrators are acting under delegated authority from the Trustees of the Diocesan charity when they enter into contracts. Some grant-giving bodies require applications to be made directly by the Diocese for that reason.

¹ See eg Canons 1283 §2 3°, 1282 §2 2°, 1290

² Canon 515

³ The full legal structure is an unincorporated charity established under a Trust Deed, one of whose Trustees is a company of which the individual Diocesan Trustees are Directors. The company holds the legal title to property on behalf of the unincorporated charity (otherwise, individual Trustees would need to be the registered owners of property which would need to be continually transferred between Trustees as they retire and new Trustees are appointed).

- 1.6 The Diocese of East Anglia charity Trustees have not set out a detailed scheme of delegation to parishes. Instead, it should be assumed that responsibility is delegated, except where decisions are explicitly reserved to the Trustees (for example, decisions on spending above £5,000)⁴.
- 1.7 Under the Charities Act, the Diocesan Trust's funds, which includes parish funds, can only be spent to further the purposes of the charity as set out in its Trust Deed. These are stated as

'The Advancement of the Roman Catholic religion in the East Anglian Diocese by such means being charitable as the Bishop of East Anglia may think fit and proper and for the service and support, whether in the East Anglia Diocese or outside the East Anglia Diocese, by such means as aforesaid of charitable works and objects promoted by the Roman Catholic Church'

The Bishop

- 1.8 The Bishop has the overall stewardship of the goods of the Church in the Diocese under Canon Law. He can make financial regulations which are binding in the Diocese ("particular law")⁵.
- 1.9 If an Administrator is not carrying out his duties properly, the Bishop has a power under Canon Law to intervene⁶.
- 1.10 The Bishop also has the power to set a levy on parishes⁷. This power is used in the Diocese of East Anglia to fund central Diocesan services to the benefit of all parishes, such as schools and safeguarding, and to fund the formation of future clergy and the support of clergy who are no longer in active ministry in a parish.
- 1.11 In terms of civil law, the Bishop is ex-officio chair of the Trustees of the Diocesan charity with the power to appoint and remove other Trustees. He is also ex-officio chairman of the Diocesan Trustee company.

The Finance Council/Trustees

- 1.12 Under Canon Law, the Bishop is required to seek the advice of a Finance Council on questions relating to the temporal goods of the Church⁸. The Finance Council is required to prepare a budget and receive accounts annually⁹. In East Anglia, the Finance Council is also the Board of Trustees of the civil law charity. It is therefore legally responsible for complying with all the legal duties of the charity under the Charities Act, as well as legal duties under the Health and Safety at Work Act, Data Protection

⁴ See section 10 below.

⁵ Canons 1276, 537

⁶ Canon 1279

⁷ Canon 1263

⁸ Canons 492, 1277

⁹ Canon 493

legislation and so on. While in practice many of those duties are delegated to parishes, ultimate legal responsibility rests with the Trustees.

1.13 The Diocesan Trustees delegate some decisions to sub-Committees:

- *The Diocesan Finance Sub Committee* can approve proposals for parish spending between £5,000 and £25,000 under the PSAF system (see 10 below); approve applications for external grants; manage fundraising programmes and campaigns; and set interest rates for diocesan loans and parish bonds;
- *The Diocesan Buildings Sub Committee* can approve proposals for buildings maintenance or alteration between £5,000 and £50,000 and advises the Trustees on larger projects, or proposals for the sale of property or new construction.

The Financial Secretary

1.14 Canon Law requires the Bishop to appoint a Financial Secretary¹⁰. In East Anglia, this role is exercised by the Director of Operations and Finance, who also acts as clerk to the Trustees. Diocesan officers appointed by the Bishop are often referred to as the Curia.

The Parish Priest/administrator

1.15 Each parish has a parish priest (or sometimes an administrator), with legal duties in relation to property¹¹. Those Canon Law duties include:

- Rendering annual accounts
- Setting an annual budget
- Insuring the church's goods
- Investing any surplus funds
- Establishing and seeking the advice of a Finance Committee¹².

1.16 The parish priest is required to exercise the care of a “good householder” in looking after the Church's goods.¹³

1.17 Within the parish, the parish priest is also responsible for carrying out the legal duties of the Diocesan charity, to the extent that those duties have not been reserved to the Trustees. The Charity Commission is likely to regard each parish as a branch of the Diocesan charity. This means that the parish priest discharges within the parish the general duties of the Trustees to ensure that money is only spent on the charitable purpose of the Trust, to ensure the charity's assets are safeguarded – including safeguarding their monetary value – and to protect the charity from loss through fraud or theft. He is also responsible for ensuring that the charity's legal duties in respect of

¹⁰ Canons 494, 1273

¹¹ Canon 532

¹² Canon 1284 contains a full list

¹³ Canon 1284

Data Protection and Health and Safety legislation are correctly discharged in the parish.¹⁴

The parish Finance Committee

1.18 Each parish must by law have a Finance Committee.¹⁵

1.19 The Finance Committee exists to support the parish priest with advice in relation to the duties set out at 1.13-1.15 above. The parish priest and not the Finance Committee is the actual decision-maker in law.

1.20 The Finance Committee also exists in order to supervise the Treasurer.

The parish Treasurer

1.21 Each parish must have a Treasurer. The Treasurer's role is to support the administrator/parish priest in making payments, managing receipts, and accounting accurately for the parish's funds.

¹⁴ See the official guidance *The Essential Trustee* for an account of Trustees' duties: [The essential trustee: what you need to know, what you need to do - GOV.UK \(www.gov.uk\)](https://www.gov.uk/guidance/the-essential-trustee-what-you-need-to-know-what-you-need-to-do)

¹⁵ Canons 537, 1280

2. Setting up and running a Finance Committee

- 2.1 It is a legal requirement that each parish should have a Finance Committee with at least two members in addition to the parish priest¹⁶. Its role is to advise the parish priest in exercising his duties. This must be a separate body from any Parish Pastoral Council, if the parish has one.
- 2.2 The parish priest/administrator and any other parish clergy (including deacons) are ex-officio members of the Finance Committee.
- 2.3 Other members of the Finance Committee are appointed by the administrator/parish priest at his discretion. They can be removed by the administrator/parish priest at his discretion. It is good practice to appoint Finance Committee members for a three-year term of office, although members can be reappointed by the parish priest for further terms.
- 2.4 One of the members, who preferably should not be the parish priest, should be appointed chair of the Finance Committee.
- 2.5 The parish priest should seek two personal references before appointing a Finance Committee chair.
- 2.6 The Finance Committee must meet at least quarterly.
- 2.7 At each meeting of the Finance Committee, the Agenda must include
 - A review of receipts and payments in the previous quarter against the budget set for the year
 - A reconciliation of the bank statement against the record of receipts and payments. Access to the full unredacted bank statement should, however, be restricted for data protection reasons to the parish priest, Treasurer, and Finance Committee Chair.
- 2.8 The Finance Committee should set a budget for parish income and expenditure annually before 1 January of the year in question.
- 2.9 The Finance Committee should agree the regular Parish Financial Returns made to the Diocese.
- 2.10 The Finance Committee should discuss any proposal for significant expenditure.
- 2.11 Meetings of the Finance Committee must be minuted. Minutes and financial records must be preserved for at least six years. Records should be kept at the parish office.
- 2.12 The Finance Committee and parish priest must be supported by a competent Treasurer. Ideally, the Treasurer should be able to demonstrate relevant professional expertise in

¹⁶ Canon 1280

business or financial administration. The Diocesan Finance Team can provide induction training if required. Two personal references should be sought before appointing a Treasurer. The Treasurer cannot be the Chair of the Finance Committee.

- 2.13 It is also recommended that each parish appoint a Gift Aid officer. Their role is to maintain a record of gift aid donations to the parish, and to supply information on those donations and the donors to the Diocesan Finance Team so that claims can be made to HMRC for gift aid refunds.

3. The Parish Forum and finance

- 3.1 Each parish should hold a Parish Forum or general meeting at least once a year. The Treasurer should present the annual accounts of the parish to that meeting. The discussion should be minuted and records kept. Records should be kept at the parish office.

PART TWO: MAKING DECISIONS

4. Decision making - general

4.1 Decisions made by the Diocesan charity are either reserved to the Trustees, or delegated within the charity's scheme of delegation. Delegated decisions may be made by the Trustees' sub-committees, by individual office holders, by budgetholders, or by parishes.

5. Decisions reserved to the Trustees and delegated within the Curia

5.1 Decisions reserved to the Diocesan Trustees (in Canon Law, the Finance Council) include:

- Setting the annual budget for the charity
- Approving the annual accounts and appointing auditors
- Sale of land and other property
- Acquisition of land and other property
- Spending on property maintenance, repair or improvement over £50,000
- Other unbudgeted spending decisions over £25,000.

5.2 Decisions delegated to the DFSC include approving proposals for parish spending between £5,000 and £25,000 under the PSAF system (see 10 below); approving applications for external grants; managing fundraising programmes and campaigns; and setting interest rates for diocesan loans and parish bonds.

5.3 Decisions reserved to the DBSC include approving proposals for buildings maintenance or alteration between £5,000 and £50,000.

5.4 Budgetholders within the Curia have full delegated authority within the budgets set for them by Trustees. The Director of Operations and Finance can exceptionally approve spending of up to £10,000.

6. Decisions for parishes

6.1 Parish priests/administrators have delegated authority within the civil law charity, and authority under Canon Law, to spend within their agreed budgets subject to the PPAF approval system for spending on property over £5,000 and the PSAF system for other novel or one-off spending over £5,000. Regardless of the amounts involved, schemes involving church reordering require non-financial approval from the Liturgy Commission, and schemes involving alterations to listed places of worship require a faculty from the Historic Churches Committee.

7. Decisions about restricted funds, especially Alive in Faith

7.1 The Diocese and individual parishes hold a number of funds which are dedicated by the donor to a specific purpose. These are known as Restricted Funds. They must be accounted for separately. Decisions to spend money from these funds must be documented in a way which demonstrates that the expenditure is in line with the charitable purpose for which they were given.

7.2 The Alive in Faith fund is a particularly significant example of a Restricted Fund. Each parish holds an Alive in Faith balance, usually as part of its account with the Diocese. Spending from that balance requires the approval of the Alive in Faith Committee, which has been tasked by the Diocesan Trustees with ensuring that the charitable purpose of the fund is respected. In most cases, the charitable purpose of the parish share of Alive in Faith money was set out in the original prospectus in each parish, which will have described a set of Parish Projects. Where a parish wishes to vary its use of Parish Project money from the original prospectus, charity law requires the donors to be consulted on the change. That can be done by placing a notice in the parish newsletter for two weeks. Decisions about Alive in Faith projects should be minuted in the parish. The form for making an application to the Alive in Faith Committee to release funds is at Appendix A of this handbook.

8. Record keeping

8.1 All decisions to spend parish funds on projects, both delegated decisions and decisions subject to Trustee approval, should be minuted by the Finance Committee and permanent records should be kept. Records should be kept at the parish office.

9. Decisions about buildings

- 9.1 Parishes are responsible for maintaining and repairing the buildings in their care, including not only the church or churches, but also halls, presbyteries, and any residential or investment property managed by the parish. Under English law, the buildings are the property of the Diocesan Trust. The Curia and their professional advisors are available to support parishes with this role.
- 9.2 It is part of the Trustees' duties under Canon and civil law to ensure that buildings are maintained in good condition. The short-term financial advantages of not keeping up to date with maintenance are outweighed by the costs of repair in the longer term: skipping maintenance is a false economy. To that end, parishes must arrange quinquennial inspections of their property. The inspection will recommend a five-year programme of maintenance actions. Parishes must address the recommendations of the inspection and implement them unless there is a good reason not to. Routine annual maintenance, such as gutter clearance, must also be undertaken. Advice on property maintenance and resources are available on the Diocesan website at <https://www.rcdea.org.uk/historic-churches-committee/parish-resources/>. A checklist to support a programme of regular maintenance is at Appendix B to this document.
- 9.3 Parishes have delegated authority for expenditure of the charity's funds on maintenance, repair and improvement of buildings up to £5,000.
- 9.4 Decisions about expenditure on maintenance, repair and improvement of buildings, new construction, and the buying and selling of property are reserved to the Trustees. For decisions between £5,000 and £50,000, the Trustees have delegated their authority to the Diocesan Buildings Sub Committee. The DBSC also advises the Trustees on larger projects.
- 9.5 Where a parish wishes to spend more than £5,000 on building projects, a Parish Project Approval Form (PPAF) must be completed and submitted to the DBSC via the Director of Operations and Finance. A template PPAF is at Appendix C of this Handbook.
- 9.6 PPAFs may be decided by correspondence outside the cycle of formal Trustee and Committee meetings. When agreed, a signed copy of the approved PPAF will be returned to the parish.
- 9.7 It is also part of the Trustees' duties under Canon and civil law to ensure that spending represents value for money. Parishes proposing a project for Trustee approval should therefore seek three quotes for the work from suitably qualified contractors to ensure best value. Limited exceptions from this rule will be permitted where the work is extremely specialised. The PPAF form requires parishes to evidence that three quotes have been sought, even if the contractors have not responded with a quote, or to justify a proposal to proceed without obtaining three quotes.

- 9.8 For significant projects, it is good practice to develop a project plan. It may also be desirable to employ a project manager, who might be an architect or surveyor. Complex projects – for example new construction or major repair programmes - may require periodic progress reports, and may need to be broken down into stages with gateway decisions to proceed from one stage to the next. The Curia Finance Team can offer advice to parishes on whether this is necessary in particular cases.
- 9.9 The PPAF system provides authority for spending on buildings. There are two other bodies within the Diocese which may need to be consulted about building projects:
- If a project involves the re-ordering of a church, the re-ordering will need the agreement of the Liturgy Commission;
 - If a project involves alterations to a listed place of worship, the alterations may require a faculty, and the Historic Churches Committee (HCC) must be consulted.

The Curia Finance team can provide advice on engaging with those bodies.

- 9.10 Projects may also require planning permission or listed building consent (for listed buildings which are not places of worship) from the local authority. The agreement of Trustees must be sought before any application for planning permission is made by a parish.
- 9.11 Neither a Diocesan faculty nor civil planning permission, which relate to design and conservation considerations, confers the authority to spend charitable funds: a PPAF must also be submitted. The PPAF form asks for information about these other permissions.

10. Decisions about non-buildings spending

- 10.1 It is part of the Trustees' duties under Canon and civil law to ensure that spending represents value for money and is aligned with the Diocesan Trust's charitable purpose. For expenditure under £5,000, and for recurrent running costs, the Trustees have delegated responsibility for fulfilling those duties to parishes. For one-off novel items of expenditure over £5,000, the decisions are reserved to the Trustees. The Diocesan Finance Sub Committee (DFSC) has delegated authority from the Trustees to approve proposals for spending between £5,000 and £25,000. The DFSC provides advice to the Trustees on proposals above that level.
- 10.2 Parishes should seek approval for new one-off items of spending above £5,000 using a Parish Spending Approval Form (PSAF). This approval is not required for existing recurrent items of spending such as utility bills or the wages of existing staff. It is not required for car loans to parish priests (see 14.6 below). It is required for the establishment of new staff roles, and before recruiting to fill vacancies.
- 10.3 A template PSAF form is at Appendix D of this Handbook.

11. Decisions about investments

11.1 Under English law, how charities approach investment in securities is regulated in great detail. Parishes are not, therefore, in general permitted to make financial investments other than holding cash in a deposit account. The Bishop requires parishes to meet their duty to invest surplus funds by using investment opportunities arranged through the Diocese. The Diocese's overall investment strategy is supervised by the Diocesan Investment Sub Committee on behalf of the Trustees.

11.2 The Diocese currently makes available three routes for parishes to invest for a financial return:

- (i) cash deposits with the Diocese; the level of return on parish accounts with the Diocese is set out in the Diocesan interest policy, which varies from time to time but usually exceeds the return available on a standard business account; the current version of the interest policy is attached at Appendix E of this Handbook;
- (ii) Diocesan Investment Trusts: these are units in the investment portfolio which is managed by the Diocese's fund manager;
- (iii) Inter-parish solidarity lending through Parish Bonds; these are occasional opportunities to lend money at interest between parishes for a fixed term in support of individual large projects. Information about individual opportunities is circulated by the Curia Finance Team as they arise.

11.3 The Curia Finance Team will supply parishes with a statement of the balance on their account with the Diocese twice a year, to coincide with the preparation of Parish Financial Returns. At other times, the Finance Team can supply the latest statement of the balance on request.

11.4 Further information about investment opportunities for parishes is available from the Curia Finance Team.

12. Decisions about disposals (alienations)

12.1 Under charity law, the Diocese has a duty to protect its assets. In general, items of value must not be given away (other than as donations in pursuit of the charitable purpose) or sold for less than a market value. Under Canon Law, the permission of the Bishop is required for disposing of goods over a fixed minimum value (and for very valuable items, the Holy See must be consulted).¹⁷

12.2 The Diocesan Finance Sub Committee must therefore be consulted about the disposal of goods worth over £5,000.

12.3 Goods worth under £5,000 must not be sold for less than market value or given away unless this is as a charitable act in furtherance of the charity's purpose.

12.4 A competent expert must be asked to value items before disposal.

¹⁷ Canons 1291, 1292

- 12.5 Liturgical items should not be disposed of without consulting the Liturgy Commission.
- 12.6 Canon law absolutely forbids the sale of relics and puts restrictions on the transfer of relics or images which are subject to “great veneration”. The Liturgy Commission should be consulted about such cases.

PART THREE: DAY TO DAY MANAGEMENT

13. Parish income and expenditure

Income

13.1 Parishes are likely to receive income from a range of sources and the Parish Financial Return provides a structure for distinguishing them. It is important to separately and accurately identify these categories partly because some of them – in particular the offertory – are subject to the Diocesan levy while the rest are not.

Restricted income

13.2 Some income – for example Alive in Faith donations, mass intentions, and many legacies – is donated for a specific purpose. This means that the money is legally regarded as Restricted Funds. It must be separately accounted for when it is received – as restricted income – when it is spent for its intended purpose – as restricted spending – and on the summary of funds (PFR page 4).

Cash income – handling notes and coin

13.3 Notes and coin typically account for a high proportion – often a third - of offertory income, or roughly £1 ½ million a year in this Diocese. Loose cash is extremely vulnerable to misappropriation and loss and the way cash is handled receives a disproportionate amount of close attention from the Diocese's auditors and from the Charity Commission. The cash handling procedures for parishes set out in the following paragraphs must be followed. These cash handling procedures exist to protect individuals, as well as to protect the gifts made by the faithful. They are also necessary to ensure that your insurance is valid¹⁸.

13.4 Cash from the offertory and second collections must be counted by two people who are not related to each other. One should count and the other record on a cash sheet. The counters must both sign the cash sheet. There should be a separate cash sheet each week. The counters must be rotated from week to week.

13.5 The Diocesan weekly summary cash sheet template is at Appendix F of this Handbook. From the date of issue of this document, use of this cash sheet alone is mandatory in every parish. Parishes may wish to supplement this summary with their own separate counting sheets for individual Masses or collections: the same principles of dual counting and counters' signatures on the sheets must be observed for those.

13.6 Cash must be kept in a safe. The keys to the safe must be kept securely in a separate room from the safe. The location of the keys should be known to a very restricted number of people, whose names should be recorded on a list that they should sign.

13.7 Cash should be banked at least once a week. For amounts over £3,500, two able-bodied people or a security company should do the banking. All receipts should be banked. Cash should not be taken from the offertory. Petty cash for parish purposes should be drawn separately from the bank.

¹⁸ And are therefore a legal requirement under Canon 1284 §2 1° and 2°.

- 13.8 The weekly summary cash sheet is a primary basic record for parish income and will be reviewed by auditors. Each week's summary cash sheet should be numbered and dated in the space provided. It must be signed by the two counters – after the count is completed – and by the person who banks the cash.
- 13.9 The cash sheet provides for a tally to be kept of individual denominations of notes and coins in the loose plate collection (including non-numbered envelopes) only. This information is required in order to be able to a payment under the Gift Aid Small Donations Scheme. Individual cheques should also be listed on the cash sheet.
- 13.10 Some parishes prefer to only bank complete bags of coin. The cash sheet provides brought forward/carried forward boxes to allow incomplete bags of coin held back for the next week's banking to be recorded.
- 13.11 Although the summary cash sheet provides a single heading for special and second collections, parishes will need to ensure that the purpose of each collection is noted in separate records so that they can be accounted for correctly in the Parish Financial Return.
- 13.12 Any variation from the procedures above which may be necessary to accommodate the special circumstances of an individual parish must be agreed in writing with the Director of Operations and Finance.

Gift Aid

- 13.13 The Gift Aid scheme allows the Diocese to reclaim basic rate income tax donors have paid on the sums they give. That boosts the value of donations by 25%. So parishes should encourage donors to use Gift Aid as much as possible.
- 13.14 Each parish should have a Gift Aid officer. Their role includes:
- Securing Gift Aid declarations from donors;
 - Keeping records of the declarations and donations;
 - Sending declarations and tax year turnaround reports to the Diocesan Gift Aid Officer.
- 13.15 A single claim is made to HMRC periodically on behalf of the Diocesan charity and each parish is credited with its share, less an administration charge, in its account with the Diocese.
- 13.16 Gift Aid is available both on planned donations, on donations made using Dona digital devices, and, subject to a limit, on loose plate donations through the Small Donations scheme. This means that, potentially, each parish ought to be able to boost its total offertory income by up to a quarter. Gift Aid can also be claimed on envelope donations to second collections which benefit the Diocesan charity (Youth Service, Priests' Training Fund, and St Edmund's Fund), and also on donations to the Dependent Priests' Fund, which is a separate charity.
- 13.17 Gift Aid records need to be kept for six years and should be kept in the Parish Office. Gift Aid forms need to include a Data Protection notice. More details of how the

scheme operates and how to keep correct records are set out in the separate guidance on *Gift Aid and Planned Giving*.

14. Expenditure

Expenditure – petty cash

- 14.1 Parishes may pay regular sums into a housekeeping purse or petty cash system. Payments out of this purse should be accompanied by receipts. A clear distinction needs to be made between (i) housekeeping expenses, which may be a taxable benefit in kind, and (ii) other parish costs.
- 14.2 The payment of staff in cash is very strongly discouraged. Any such payments should be clearly documented. More information on employing staff is set out at 22 below.

Use of cards.

- 14.3 Parishes may use a credit or debit card as a way of making payments. The use of a card needs to follow the general principles for authorizing expenditure. Statements should be reviewed by the Chair of the Finance Committee and approval of the expenditure should be documented (a signature on the statement will suffice).

Expenditure – diocesan levies

- 14.4 The Bishop raises a levy from parishes to pay for common services provided by the Diocese; these include support with safeguarding, the provision of Catholic schools, the training of future clergy and support for priests who are no longer in active ministry.¹⁹ The levy is assessed against only some items of parish income: the offertory, interest received on investments, and Gift Aid. The current schedule of levies is set out at Appendix G of this Handbook.

Expenditure – direct charges

- 14.5 Some services required by all parishes are procured centrally through the Diocese and the cost is recharged directly through the parish account with the Diocese. These include insurance, health and safety inspection, clergy retreats, and the Diocesan yearbook and newspaper.

Parish priests' cars

- 14.6 It is customary for parishes to make an interest free three-year loan from parish funds to the parish priest to enable him to buy a car. The priest is responsible for expenses related to the car and should claim business mileage from the parish at the HMRC rate, which is set out in Appendix I to this document. If a car loan is not affordable for the parish, the Curia Finance Team should be consulted.

¹⁹ Canon 1263

15. Banking

- 15.1 Parishes each hold an account with the Diocese. This account pays and charges interest at a rate in line with the current Diocesan policy, which is set out at Appendix E to this document; the Diocesan rate is usually higher than is available on a commercial account with a high street bank and the funds are available without notice. Parishes are encouraged to maximise their deposits with the Diocese. The Curia Finance Team can arrange payments and transfers from parish accounts on request.
- 15.2 Should a parish's account with the Diocese have a debit balance, interest is chargeable on the balance at the rate in the prevailing Diocesan interest policy.
- 15.3 Where parishes hold a local bank account, this should be for practical convenience in making deposits and payments. Parishes should not hold more than one account without the agreement of the Finance Office and should not seek to use their local account as an investment. Parish groups should not hold separate accounts.
- 15.4 Parish bank accounts should have at least three authorised signatories. One of these should be the parish priest/administrator. Another should be the Dean, where he is not already the parish priest.
- 15.5 Parishes are encouraged to use online banking. The arrangements for signatories and authority levels should be the same for both online and conventional banking.
- 15.6 For both cheques and online payments, parishes' banking arrangements must require two signatures for any payment over £1,000.
- 15.7 The parish Finance Committee should review a bank statement reconciliation each quarter. Access to the full unredacted bank statement should, however, be restricted for data protection reasons to the parish priest, Treasurer, and Finance Committee Chair.

16. Setting a budget

16.1 Parish priests should set a budget for income and expenditure each year in consultation with their Finance Committee. The Diocese's financial year is the calendar year. So the budget should be set before the end of December of the previous year.

16.2 When the budget has been set, a copy should be sent to the Curia Finance Team before the end of January.

16.3 Key principles in setting a budget include:

- Realism: allowance needs to be made for the effect of likely price and wage rises on costs, and a sensible view taken on the extent to which income might rise or fall during the year;
- Stewardship: maintenance is an inevitable annual cost and needs to be allowed for in every budget; skimping on maintenance is a false economy and does not save money in the long term;
- Financial sustainability: it is sensible to draw down reserves to fund a one-off project or to catch up on a repair backlog; but a deficit budget is not appropriate as a way of financing ordinary day-to-day expenses and setting one just postpones a crisis;
- Challenge: it is not a given that things we did last year need to be done again next year; and there are often ways of doing the same thing more efficiently;
- Affordability: this is the mirror of realism.

16.4 The Finance Committee should monitor financial performance each quarter with reference to the budget set for the year. Where the budget is off track, it should take corrective action.

16.5 A practical option for making budgeting, budget monitoring and financial reporting less burdensome and more joined-up is for parishes to set and monitor the budget using the headings, and perhaps the template spreadsheet, provided by the Curia Finance Team for the annual and half-yearly Parish Financial Returns. This is strongly encouraged.

17. Transactions and payments

- 17.1 The key principle in ensuring that transactions and payments are made properly is role separation: one person should agree that a payment should be made, and another should actually make the payment.
- 17.2 Under no circumstances should anyone make a payment from the charity's funds to themselves. This is an absolute rule that admits of no exceptions.
- 17.3 Invoices should be approved in writing in ink on the face of the invoice and should not be paid without that authorization. The authorizer of the invoice and the person making the payment should be different people.
- 17.4 Expenses should be claimed using the claim form at Appendix H of this Handbook. Expenses should not be paid without written authorization in ink. Individuals must not authorize or pay their own expenses. Vouchers/receipts must be provided to accompany expense claims.
- 17.5 Mileage claims should state the distance travelled and the purpose of the journey. Mileage is paid at the current Diocesan rate, which is set out at Appendix I of this Handbook.
- 17.6 It would be good practice for each parish to set out in a document the parish priest's decisions about who is permitted to authorize what.
- 17.7 Full records relating to transactions must be kept for tax and audit purposes for six years. Records should be kept at the parish office.

PART FOUR: RENDERING AN ACCOUNT

18. The annual and half-year Parish Financial Return

- 18.1 Under Canon Law, the finance officer of the Diocese is required to give the Finance Council an annual account of income and expenditure, which the Finance Council is required to consider.²⁰ Under the Charities Act, the Diocesan Trust is required to submit annual accounts. These need to incorporate the accounts of the parishes. Those are collected each year through the annual Parish Financial Return (PFR).
- 18.2 In order to assist with budget monitoring and in order to provide evidence for setting the next year's budget, parishes are also required to submit a PFR at the half-year point.
- 18.3 The Diocese's financial year runs from 1 January to 31 December. The full-year PFR should be returned by the end of February and the half-year return by the end of August.
- 18.4 The Curia Finance Team provides a template PFR in the form of a spreadsheet. This is accompanied by guidance notes to help completion. The return consists of
- A summary account of receipts and payments;
 - Detailed accounts of receipts and payments on restricted funds (money which has been given with conditions, or for a specified purpose; this includes second collections and Alive in Faith funds);
 - A summary of funds which sums the previous year's closing balances with the annual surplus or deficit on general and restricted funds, and the end-year bank balances, to give the end-year level of funds;
 - Information about outstanding receipts and payments which allows the end-year balance to be converted to an accruals basis;
 - Information about parish employees;
 - Information about repairs, maintenance and new building which allows the register of fixed assets to be updated
 - A bank reconciliation
 - A summary of any legacies received.

A copy of the template is available at Appendix J of this handbook in the online version.

- 18.5 To complete the return, the parish will need its records of receipts and payments for the year, which will need to be identifiable as general and restricted; information about employees if any; and statements of its balance with its bank and with the Diocese at the end of the reporting period.
- 18.6 The distinction between general and restricted receipts and spending is important. Restricted funds are not held in separate bank accounts but their amount needs to be known, monitored, and reported. It is illegal to spend restricted funds for other

²⁰ Canons 493, 494

purposes. If a parish were to hold a combined balance at the bank/with the Diocese which is less than the total of its restricted funds, it would not be able to spend any of that money for other purposes. To assist in monitoring the level of restricted funds, the Curia Finance Team will from time to time provide updates on income the parish has received from Alive in Faith.

- 18.7 The presentation of receipts and payments in the PFR template is suitable for parishes to use in their own budgeting and regular budget monitoring. Doing that during the year should make the process of submitting the return simpler and easier.
- 18.8 It is important that the return should be accurate. This is a legal requirement under the Charities Act. The underlying accounting records and vouchers need to be kept for six years. Records should be kept at the parish office.
- 18.9 The Curia Finance Team is always willing to help parishes with completing the PFR.

19. Audit

- 19.1 The Diocese's accounts are subject to an annual statutory audit. As part of that exercise, a sample of parishes will be audited. At present, five parishes a year are audited, which ensures that all parishes will be audited over a ten year cycle. Forthcoming changes in regulation may mean that the number of parishes audited each year may rise.
- 19.2 It is possible to make a big deal out of the prospect of being audited, but it should not be a cause for concern. The parish audit simply checks compliance with this Handbook and involves a day's visit from one or two auditors. A parish which has followed the procedures set out here and has kept – and can find – its records will not find the audit process difficult. The auditor will send in advance a questionnaire and a list of documents which should be available for the on-site visit.
- 19.3 The results of the parish audit are reported to the Diocesan Trustees and to the individual parishes through a management letter. If the auditors have found any instances of non-compliance, these will be highlighted on a red-amber-green scale of seriousness and remedial actions will be recommended. The Diocesan Trustees may ask for evidence that remedial action has been taken by the parish. The auditors may also look for that evidence as part of the following year's audit.

PART FIVE: OTHER COMPLIANCE ISSUES

20. INSURANCE

20.1 Canon Law requires Administrators – in most cases this means Parish Priests – to insure the Church’s property.²¹ In practice, the Diocesan finance office arranges this for you. Arranging the insurance and paying the premium isn’t the end of the story, though. Parishes have it in their gift to invalidate their insurance by what they do, or fail to.

20.2 Our insurance is arranged through the Catholic Insurance Service, which works exclusively for the Church, and the insurer is the Catholic National Mutual. As the name suggests, this non-profit insurer allows us to pool our risks with other Dioceses. That means we get a better price, tailored cover, and a service that understands how we work and what we do. Premiums are collected from parishes quarterly via your account with the Diocese.

What is covered

20.3 The insurance policy covers a number of things:

- Buildings
- Church contents up to a limit
- Priests’ belongings
- Travel for members of the clergy, and for staff travelling on Diocesan business
- Employers’ liability
- Public liability
- Losses due to employee dishonesty.

All of these come with conditions. More on those below.

20.4 A supplementary policy provides some cover against cyber attacks and cyber fraud.

Conditions

20.5 We can only make a successful claim on our insurance policy if we meet the conditions the insurers set. So it is worth knowing what the most important conditions are. If we don’t meet the conditions, we cannot be confident of making a successful claim. Most of the conditions are basic common sense. But it is worth each parish finance committee considering whether they are meeting them.

20.6 In particular, some of the conditions are diocese-wide. If one parish doesn’t meet them, no-one is covered. Please think about these: not meeting them doesn’t just mean you are directly bearing a risk, you could also be imposing the risk on other parishes.

20.7 The most significant conditions are:

²¹ Canon 1284 §1

- **Notifying changes** – for example, if a property is declared to the insurers as occupied, but is in fact vacant, it won't be properly covered: and there are special rules for looking after vacant property that need to be met;
- **Notifying high-value items** – if you have an organ, painting, chalice or other item worth more than £10,000, it needs to be individually declared to the insurers and there are special rules for transporting liturgical items;
- **Keeping an inventory** – each parish should maintain an up to date inventory of valuable items;
- **Carrying out electrical inspections** – these need to happen every five years;
- **Security** – high value items need to be kept securely for the insurance to be valid; there is a limit (quite high) on transporting cash without extra precautions;
- **Maintaining buildings** – note that there is a specific exclusion for water-related damage if you have not carried out annual gutter clearance or three-yearly flat roof inspections;
- **Following procedures** – this includes Health and Safety, cash handling, getting large cheques double-signed, and seeking references for employees and key volunteers including Treasurers, Finance Chairs and Gift Aid Officers.

Full details are set out in the policy documents which each parish is sent at renewal time in September.

Claims

20.8 If you do need to make an insurance claim, these should be directed to CNM at: claims@cnm.gg or by telephone on 01481 732789.

21. HEALTH AND SAFETY (INCLUDING FIRE)

21.1 The Diocesan Trustees are legally responsible under the Health and Safety at Work Act and other legislation for ensuring that reasonable steps are taken to ensure the safety of people who use Diocesan premises. This responsibility is delegated to Parish Priests in respect of premises managed by parishes. Each parish should have a named individual who is responsible for Health and Safety matters. If no-one else is nominated and notified to the Diocese, this responsibility will lie with the parish priest personally. This responsibility under the Act includes the need to carry out risk assessment for key activities.

21.2 To support parishes, the Trustees contract with a specialist company to provide Health and Safety advice and expertise. This is currently Worknest. The service they provide includes:

- health and safety inspection on a five-yearly cycle; these inspections generate recommendations for action;
- fire safety inspections, also on a five yearly cycle; these inspections also produce recommendations;
- general advice which is available on Worknest's website;
- an advice service.

Worknest provide an online portal which includes a log of recommendations made at inspection, to allow users to record action taken and monitor what is outstanding. The Health and Safety representative and the parish priest (if they are not the same) in each parish has access to this portal. Please contact finance@rcdea.org.uk if you would like to arrange access to the portal or change your lead person.

21.3 The parish retains health and safety responsibility for its premises when they are being used by other groups. This means it is important to use hire agreements which require the hiring group to carry out its own risk assessments.

22. EMPLOYING PEOPLE

22.1 Some parishes employ people as secretaries, organists, cleaners and so on. Legally, the contract of employment is with the Diocese. Where employees are taken on, a contract document should exist. This can be in the form of a letter of appointment rather than a lengthy contract. That should record the individual's duties, remuneration, entitlement to leave, and notice period. This is important for tax reasons and may become important in the case that a dispute arises. The document should be signed by the parish and by the employee and dated. The parish must also check the nationality and immigration status of the employee to ensure that they have the right to work in the UK, and a documentary record of that check should be kept.

22.2 Employees should pay tax and national insurance and the parish should pay employers' national insurance contributions. Parishes will need to set up a PAYE scheme with HMRC and may need to set up a pension scheme. Parishes need to satisfy themselves that contractors who are not employees – cleaners and gardeners, for example - meet the HMRC criteria for being so treated. HMRC provide a checklist to help decide doubtful cases (here at [Check employment status for tax - GOV.UK \(www.gov.uk\)](http://www.gov.uk)).

22.3 Parishes may also have paid workers who are self-employed. In those cases, it is the worker's responsibility to pay tax and national insurance.

22.4 Parishes should not pay employees in cash.

22.5 The Diocese is required to report the number of its employees accurately to the Charity Commission each year. Information on parish employees is collected through the annual Parish Financial Return for this purpose.

23. DATA PROTECTION

23.1 The Diocesan charity is a Data Controller under data protection law (the UK GDPR). This means that the duties to keep personal data safe under that law apply to parish priests as the Trustees' delegate. In summary, those duties mean we should only collect personal data - which is a very wide definition covering anything from which a person might be identified, so can include pictures or just an email address as well as names and contact details – for a specified purpose that is legal and fair; protect it while we hold it; and not hold onto it if we don't need it.

23.2 The key consequences of that for parishes are:

- (i) When you are collecting personal data – for example by asking parishioners to sign up for a First Communion class, a flower rota or a pilgrimage – the standard

data protection notice must be used (see below); information should only be used for the purposes it was collected for;

- (ii) The parish should know what personal data it holds and why: personal data records should be periodically reviewed and older records destroyed, in line with the Diocese's "Retention and Disposals of Records" policy;
 - (iii) Personal data must be handled securely, which means it should be stored in locked filing cabinets, if on paper, and, if electronic, on Diocesan IT systems (which requires the use of @rcdea.org.uk email accounts); group emails to parishioners should be avoided where possible and if not, copyees' email addresses should be protected by using the BCC approach or, better, automated mail-outs;
 - (iv) Data breaches - for example, accidentally sharing an individual's personal information with others - must be recorded, assessed, and reported to the Information Commissioner's Office within 72 hours if they meet the criteria for that.
- 23.3 The consequences of being found in breach of the law on data protection can be very severe and include unlimited fines. If a parish believes a reportable data breach has taken place, the Diocese's Data Protection Officer (currently welfare@rcdea.org.uk) or the Director of Operations and Finance must be informed immediately.
- 23.4 This Handbook is not the place for a full account of our responsibilities under the GDPR. At least one person in each parish should receive the free training in GDPR compliance which can be booked by contacting finance@rcdea.org.uk. The Finance Committee should from time to time review the parish's compliance. Useful guidance, including a simple self-assessment questionnaire, is available at the Information Commissioner's website www.ico.org.uk.
- 23.5 The standard text for a Data Protection notice on forms and requests for personal details is below. It can be cut-and-pasted into parish documents.

PROTECTING YOUR INFORMATION

We will hold your personal information to communicate with you, to provide you and others with services from the Diocesan charity, and to enable the charity to meet its legal obligations. You can find out more about how we protect and use personal data in our Privacy Statement which is at www.rcdea.org.uk/privacy or from the Parish office.

PART SIX: PRIESTS' FINANCES

- 24.1 Parishes and clergy have requested guidance on the general arrangements for priests' finances. This section sets out the main points.
- 24.2 Priests are, in the eyes of the civil law, "officeholders" not employees (this category includes other workers such as police officers and company directors). Parish priests and their assistant priests are remunerated from the parish collection and their remuneration takes the form both of money and of benefits in kind.
- 24.3 Under Canon Law, priests are entitled to remuneration "which is consistent with their condition [...and] should enable them to provide for the needs of their own life and the equitable payment of those whose services they need". They are also entitled to provision for them to benefit from social assistance in old age.²²
- 24.4 Parish priests in East Anglia are entitled to a basic monthly amount which is reviewed each April by the Diocesan Trustees. The amount for 2024-5 is set out in annex K to this document.
- 24.5 Priests are also entitled to accommodation, which is usually in a dedicated parish presbytery, and to reasonable expenses for food and utilities (heating, lighting, water and telecommunications), and to the payment of Class 2 national insurance contributions to ensure they will qualify for a state pension²³. The parish finance chair should approve the parish priest's expenses. Day to day expenses may be paid using a parish debit card; if so, the finance chair should also monitor and approve those payments.
- 24.6 The offerings of the faithful at Christmas and Easter are by custom a gift to the priest. The offertory should be banked as usual and a corresponding payment made to the priest (in line with the principle at 17.2 above, the priest must not make this payment to himself). The payment should include both the loose plate and one-quarter of the offertory received through standing orders for the month in question (December and March or April).
- 24.7 Mass offerings and donations ("stole fees") given in relation to other sacraments are paid into general parish funds and do not accrue to the priest personally. Mass offerings and intentions are recorded in a special register.
- 24.8 As officeholders, priests submit annual tax returns and make their own arrangements to do that. It is recommended to seek the services of a professional accountant.

²² Canon 281

²³ The 2023 Autumn Statement made changes to Class 2 National Insurance contributions which might potentially affect the contributions of Catholic priests. In the absence of guidance on this point from HMRC, parishes should continue as described above for the time being.