

THE CHURCH REPAIR FUND
AND
DIOCESAN LOANS FUND

– **A SIMPLE GUIDE**
CONTAINING:

- **BACKGROUND TO THE SAVING SCHEMES**
- **HOW TO PAY IN AND TAKE OUT**
- **HOW TO APPLY FOR A LOAN**
- **WHAT IS THE EFFECT ON THE PARISH SHARE?**



Rochester treasurer guides no 4 (revised October 2012)

INTRODUCTION

In the Diocese of Rochester we are comparatively unique in that we have two savings schemes specifically for PCCs to consider using - the Church Repair Fund and the Diocesan Loans Fund.

The Church Repair Fund is a savings scheme whereby PCCs can put aside suggested sums each year towards the costs of their next quinquennial repairs. Should a PCC have insufficient funds to meet the costs of repair an interest-free loan can be obtained towards the cost.

The Diocesan Loans Fund is a general savings scheme whereby PCCs can put away surplus funds, either for specific or general purposes, and get interest credited on those sums deposited. Should a parish require a loan they can approach the Diocese and, subject to agreements on repayments, may be able to take out a loan from the DLF.

Additional deposits can be made to both schemes at any time. There may also be advantages in respect of Parish Share relief depending on the deposits made.

If, after reading this guidance, treasurers or PCC members feel that they need further guidance, or more help specifically aimed at their individual parish circumstances, we recommend they contact the Finance Team in the first instance at the Diocesan Office, who will be pleased to help you.

DISCLAIMER

Whilst every care has been taken in providing this advice, it is given on the distinct understanding that the Rochester Diocesan Society and Board of Finance cannot accept responsibility for it.

This booklet is for guidance only and is not comprehensive. It is not a statement of law and has no legal force.

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THE CHURCH REPAIR FUND

Introduction

The Church Repair Fund, usually referred to as the CRF, was set up over 40 years ago to assist parishes make systematic and adequate provision for the prompt routine repair of their churches and other PCC property. This is a fairly unique arrangement within the Church of England, but it enables parishes to set aside regular sums each year into an account so that, when repairs are required every five years, the parish is not faced with having to find large sums to carry out those repairs.

How the Scheme works

The Scheme is essentially a savings scheme. Each year, for five years, the parish pays an agreed amount, called the Repair Rate, into an account held within the Fund for each property they have within the Scheme. At the end of the five year period, the building is inspected and a report is produced outlining the repairs necessary. If the parish's agreed savings are insufficient to cover the repairs, and the parish has paid contributions in accordance with the agreed amount, the Fund can offer an interest-free loan to the parish, subject to being able to meet the repayments, usually repayable over five years. Following the inspection, a new Repair Rate is agreed for the following five years.

Repair Rates and other contributions into the Fund earn interest at a rate set by the Diocesan Treasurer. Funds set aside as the Repair Rates and repayments to loans are excluded from the parish income as assessed for Parish Share purposes.

Formalities and paperwork are kept to a minimum but payments into the CRF are usually made by Direct Debit collection or Banker's Order, and payment terms are discussed with parishes to suit individual circumstances. It is expected that parishes should make at least two payments a year into the CRF, although more frequent payments are perfectly acceptable with many parishes setting aside a sum each month.

Membership

Membership is related to individual buildings. A PCC can, therefore, enter one or more buildings, but not necessarily all buildings that they own. However, it is requirement by Diocesan Synod that all Curates' and Licensed Layworker houses or flats must be in the Repair Scheme. The CRF is only open to buildings in the ownership of either the PCC or Diocesan Board of

Finance (DBF) and is not available to other church or charitable organisations.

The Scheme is designed to cover quinquennial repairs of the building, i.e. repairs and restoration work to the fabric internally and externally, electrical wiring and also external painting, although other repair work could be considered; consult the Scheme Administrator for further advice.

Any church coming into the Scheme has to be adequately insured by the Parochial Church Council or the DBF to the satisfaction of the DBF.

Any parish may withdraw a building or buildings from the Scheme at any time, provided there is no loan outstanding. However, housing for assistant staff must remain within the system. Parishes should note that, if they choose to remove their property from the CRF, there could be a knock-on effect in respect of the Parish Share apportionment calculation, and those parishes would be removing any possible entitlement to loans if they had insufficient funds available to carry out repairs. The Diocese also reserves the right to charge to parishes the costs of quinquennial surveys if a building is not in the CRF.

Building Inspections and Repairs

All buildings are inspected every 5 years and a report listing the repairs necessary is sent to the PCC. In respect of church buildings in most cases the Diocese meets the full cost of the inspection and the preparation of the report. The inspection and report for other PCC property is paid for by the PCC. All inspections are organised by the Diocesan Office with some surveys carried out by diocesan staff. The issued report is not a specification for a builder.

Once a report has been prepared, it is for the PCC to arrange for repairs to be carried out. Where professional help is required (such as for structural or specialist work, etc) the report can be handed to the PCC's architect. Otherwise, some other person (a surveyor or builder, for example) will need to draw up a specification for the approval of the PCC. In the case of churches, the specification must be submitted to the Diocesan Advisory Committee (DAC) for a recommendation to apply for a Faculty. When the PCC has approved the specification (and obtained DAC approval, where applicable), tenders should be invited from contractors and a copy of the tender accepted by the PCC sent to the Diocesan Office. If there are sufficient funds available in the CRF to cover the cost of the repairs, accounts can be paid direct to the contractor by the Diocesan Office when received with written authorisation to pay from the PCC; fax letter or e-mail instruction are all acceptable. Repairs in this context can include the cost of professional

fees (for example, fees from surveyors, architects or structural engineers etc) and VAT.

Should urgent repairs occur between quinquennials the Scheme Administrator or Diocesan Treasurer would be willing to advise on the best way forward.

Payments into and out of the Scheme

At the time that inspection reports are received, the parish is given an estimate, at diocesan expense, of the amount considered necessary by the inspecting architect to cover the anticipated cost of repairs which will need to be carried out following the next quinquennial inspection (based on the assumption that the work recommended as 'essential' in the previous report will have been completed within the 5 year period). This amount is usually paid into the Fund by the parish in regular instalments (either by Bankers Order or by Direct Debit collections on at least 6 monthly intervals). This is called the REPAIR RATE.

Money saved during the preceding years is used to finance quinquennial repairs. Repair Rate contributions at the new rate, dating from the quinquennial inspection, are usually reserved for the next quinquennial repairs (in 5 years time).

Interest on credit balances held in the Fund in the name of the parish is added at a rate as the DBF shall so determine, currently being annually on 31 December.

Any excess in the Fund standing to the credit of the parish after the quinquennial repairs are completed can be carried forward towards the next quinquennial estimate, transferred to another Fund or repaid, as the parish desires.

If a PCC decides to place further funds into the CRF, possibly as a means of saving towards additional building/repair work, additional deposits can be made and are welcomed. Either these can be made as a further Direct Debit collection (which needs to be requested to the Finance Team first) or by sending a cheque (made payable to 'Rochester DBF') to the Diocesan Office. These additional amounts can be taken at any time. It is important however, that you specify the CRF account that needs to be credited.

Loans

The parish is expected to use its own available resources before requesting a loan. If there are insufficient funds available in the CRF, an application will need to be made to the Finance Committee through the Diocesan Treasurer. Loans are usually repayable by regular instalments paid by either Direct Debit or Bankers Order over the ensuing 5 years and are payable in addition to the new Repair Rate for that period. The PCC must be able to justify repayments of the loan within the specified period.

Loans from the CRF are (usually) interest-free, although the DBF reserves the right to charge interest on loans for certain projects, if it so determines. In addition, if a PCC has been unable to save in accordance with the recommended repair rates, or has utilised funds for non-repair purposes, it may not be entitled to an interest-free loan, or even a loan at all. To ascertain a PCCs ability to meet loan repayments the current position of payments in respect of Parish Share and stipends will be considered before a loan can be granted. The Finance Committee will be the final arbiter in any decision.

There is no maximum limit to the size of loan that can be given, subject to the satisfaction that the parish can afford to meet the repayments without affecting other parish costs, including the payment of Parish Share and stipend costs. However, as a guide, it is unlikely that a loan would be given for sums greater than the annual income of a parish.

For parishes wishing to undertake restoration work, interest-free loans can be made available but, again, subject to the affordability and ability to repay by the parish, and the satisfaction of the Diocesan Treasurer and Finance Committee that the parish will be able to meet these commitments for the period of the loan.

Loans can be given from the CRF to help with bridging finance if significant grants are likely to be received from organisations such as English Heritage or the Heritage Lottery Fund. Assurances may be required that the grant is going to be received, and on what timescale, before the loan is given.

Applying for a Loan

In the first instance talk to the Diocesan Treasurer who will be able to discuss the matter with you.

If a loan is required the PCC will have to write in to the Diocesan Treasurer outlining the following:

- What the project is
- What the loan is required for
- How much and when funds will be required
- What funds are currently available (or why certain funds may not be available)
- Estimates of the whole project
- How the loan will be repaid and over what timescale
- Any other details in support of the application

The more information that the PCC can provide on how the parish is managing the project, the easier it is for the Diocesan Treasurer to make an agreement to the loan. See Appendix IV for the current policy.

In addition, no loan can be arranged without a written undertaking from the PCC that it agrees to the terms of any loan, and agrees to meet the repayments without affecting existing expenditure commitments, including both Parish Share and stipend payments.

Loans up to £25,000 can be agreed by the Diocesan Treasurer assuming everything appears in order, and parish share and stipend payments are up to date, but any loan in excess of this amount or if there are additional terms requested will need to go to the Finance Committee for approval.

In some circumstances the Chancellor will not grant a faculty until payment for the work has been arranged, which could include the agreement of a loan. It is therefore important for a PCC to agree in principle its funding arrangements before going ahead with commitments for work.

If a parish is in arrears with parish share payments a loan will still be made available if the PCC is able to agree to meet the loan repayments and if deposits have been made in accordance with the recommended rates. However, a loan will NOT be made available if there are other PCC funds available or the property concerned is being used as an investment generating asset.

The decision of the Finance Committee in any loan application is final.

Making Withdrawals and Paying Contractors

When repair work is carried out the PCC can either pay the contractor direct or send the bill for settlement to the Finance Team in the Diocesan Office. If the PCC pays the bill direct it can claim back the cost of repairs from the CRF via the Diocesan Office. In either circumstance, the PCC should send

through a copy of the invoice or a request for payment and quote the relevant CRF account that funds are being drawn from. A fax, letter or e-mail instruction is sufficient, providing the signatories on the instruction match the signature requirements held on the account.

PCCs should remember that the payment of repair bills is the responsibility of the PCC and not the Diocesan Office and to note any timescales from the contractor for payment – don't hold onto a bill for a month before sending it in as it could be a further 10 days before payment is made!

All payments are made by BACS transfer and not by cheque. To avoid possible delays in payment you may need to ensure the Finance Team in the Diocesan Office has the bank details for any contractors you are using.

Should a parish wish to withdraw any funds from the CRF for other purposes (which, of course, is possible as the funds are only designated and the PCC can re-designate as required), the parish's wishes must be followed, but there could be consequences in respect of allowances against parish income for Parish Share purposes. This is especially so if the funds will be used for a purpose for which Parish Share allowances are not normally available. For further information, contact the Diocesan Treasurer.

PCCs should remember that if they make such a withdrawal from the CRF and they have insufficient funds available to meet the costs of repairs, they may not be entitled to CRF loan facilities.

Interest

Interest is calculated on all balances in credit from the date that deposits are received and accrues on a daily basis but the interest is only added to the account at the end of the year (31 December). Likewise, if a payment is made, the interest is calculated from the date of the payment. Should a payment be requested that will take the account overdrawn without previously agreed loan facilities, the Finance Team can calculate the amount of interest that has accrued on the account to the date of this payment. This interest will be applied to the account if that enables the payment to be made.

There is (normally) no interest on any loan accounts.

Accounting Treatment

The CRF is a parish designated fund and NOT a restricted fund. The PCC can choose to take money out of the CRF if it so wishes and use it for purposes other than for building repairs. Therefore it is NOT a restricted fund.

The CRF should be included within the PCC financial statements at year end, including any interest accrued. Some PCCs like to show their CRF as a separate designated fund within the financial statements. This is perfectly acceptable.

Money paid into the CRF is NOT expenditure but is the transfer of money from one account to another. Any movements of funds into the CRF should be shown in the section 'transfers between funds' in the Statement of Financial Activity (SOFA) for the year end annual accounts. Likewise the same applies if a PCC has a refund from the CRF.

Expenditure made from the CRF, either for repair work or professional fees needs to be shown in the SOFA in an appropriate line under 'Resources Expended'.

Any balances in the CRF belong to the parish, not the Diocese, and can only be utilised with the authority of the parish. The only exception is the payment of the quinquennial survey fee which is automatically charged to the relevant parish CRF account.

Effect on Parish Share

Any deposits made by a parish into the CRF are deducted from the assessable income of the parish for the Parish Share calculation, and this reduces still further the cost to the parish. The same relief is given for additional payments made into the Scheme over and above the regular payments, the repayment of loans made from the Fund, and also for any interest accrued on fund balances.

If funds are withdrawn from the CRF that are not for a repair purpose, then an adjustment will be made to the annual statement used to calculate the net income of the parish for Parish Share purposes.

THE DIOCESAN LOANS FUND

Introduction

The Diocesan Loans Fund, usually referred to as the DLF, was set up to allow parishes to deposit any surplus funds that they have, so that others would be able to borrow from the fund at low rates of interest. In effect, it is the same type of arrangement as with a building society or a credit union, in that deposits are placed into the DLF which allows funds to be available for others to borrow from.

How the Scheme works

The Scheme is essentially a savings scheme. Parishes are able to make deposits into the Scheme either in a planned manner or alternatively as and when they choose. Any contributions into the Fund earn interest at a rate set by the Diocesan Treasurer.

As with the CRF, formalities and paperwork are kept to a minimum, but payments into the DLF can be made either by Direct Debit collection, Banker's Order or cheque. Parishes can make as many payments into the scheme as they would like, although many parishes set aside a regular sum each month.

Parishes are able to make withdrawals from the Scheme at any time, providing there is some form of written request (fax, letter or e-mail instruction) and the signatories on the instruction match the signature requirements held on the account.

Who can deposit?

The DLF is run like a bank account but, as the DBF is NOT a bank, to avoid potential difficulties with banking rules and credit protection legislation we can only take deposits from organisations with whom we have a direct involvement such as PCCs. The DBF cannot take deposits from individuals.

Any parish can have a DLF account, or series of accounts if it prefers, to put aside surplus funds or to save up for specific projects. Although we welcome deposits from parishes, we cannot take funds from any other non-parochial organisation or from individuals. If a parochial organisation wants to place funds into the DLF, it must be clear that the funds still come under the remit and control of the PCC. For example, we would accept a deposit from 'St Mary's Pre-School' or 'St Peter's Mums & Toddlers', but we would not be able

to accept a deposit from the 'New Town Model Railway Society' or from 'Mr John Smith'.

There is no charge for the operation of an account and no distinction between different depositors. An account with £10 will earn the same rate of interest as an account with £100,000.

Payments into the DLF

Parishes can make a regular payment into a DLF account either by setting up a Bankers Order or arranging for a regular Direct Debit to be taken. Alternatively, they can send payments through as and when they feel it appropriate. Cheques should be made payable to 'Rochester DBF' but there needs to be some form of notification as to which account needs to be credited.

Loans

The DLF was set up so that a parish can borrow for any purpose providing that the purpose is seen as an object of the PCC. However, in reality most loans tend to be for items of a capital nature; concern would be raised if a loan was requested to meet everyday (revenue) expenditure. In recent years most loans have been given for additional building works for which the CRF cannot help with funding.

For amounts up to £25,000 the matter can usually be agreed by the Diocesan Treasurer, providing standard terms and conditions apply. For further/larger amounts an application needs to be made to the Finance Committee through the Diocesan Treasurer. Loans are (usually) subject to a charge of interest on the amounts outstanding – usually based upon the diocesan base rate +1%, although any loan request from a PCC can ask for different terms if they wish. The Finance Committee reserves the right to alter the rate of interest charged on each loan, depending on the individual circumstances. To ascertain a PCC's ability to meet loan repayments the current position of payments in respect of Parish Share and stipends will be considered before a loan can be granted.

Loans are (normally) repayable by regular instalments paid by either Direct Debit or Bankers Order over the following 5 years. Again, PCCs can request a longer period of loan if they wish. The PCC must be able to justify repayments of the loan within the specified period and the Finance Committee reserve the right to alter the timescale for repayments, depending on the individual circumstances.

Loans from the DLF are unlikely to be interest-free, although sometimes the Finance Committee could consider a fixed rate loan, or reduced rate loan. There is no penalty if a loan is paid off before the agreed term.

There is no maximum limit to the size of loans that can be given, subject to the satisfaction that the parish can afford to meet the repayments without affecting other parish costs, including the payment of Parish Share and stipend costs. However, as a guide, it is unlikely that a loan would be given for a sum greater than the annual income of a parish.

Loans can be given from the DLF to help with bridging finance if significant grants are likely to be received from organisations such as English Heritage, the Heritage Lottery Fund or from the sale of PCC assets. Assurances may be required that the income is going to be received, and on what timescale, before the loan is given.

Applying for a loan

In the first instance, talk to the Diocesan Treasurer who will be able to discuss the matter with you.

If a loan is required the PCC will have to write in to the Diocesan Treasurer outlining the following:

- What the project is
- What the loan is required for
- How much and when funds will be required
- What funds are currently available (or why certain funds may not be available)
- Estimates of the whole project
- How the loan will be repaid and over what timescale
- Any other details in support of the application

The more information that the PCC can provide on how the parish is managing the project, the easier it is for the Diocesan Treasurer to make an agreement to the loan. See Appendix IV for current policy.

No loan can be arranged without a written undertaking from the PCC that it agrees to the terms of any loan, and agrees to meet the repayments without affecting existing expenditure commitments including both Parish Share and stipend payments.

Loans up to £25,000 can be agreed by the Diocesan Treasurer assuming everything appears in order, and parish share and stipend payments are up

to date, but any loan in excess of this amount or if there are additional terms requested will need to go to the Finance Committee for approval.

The Finance Committee reserves the right to alter any of the terms of the loan as it sees fit. This could mean different payment terms, different interest rates on outstanding amounts or different conditions on the loan agreement. As the DLF is composed of money deposited from other parishes, the Finance Committee needs to ensure that the money loaned will be repaid at the agreed time and for the agreed amounts. The Finance Committee needs to protect the cash assets that belong to other PCCs.

If a parish is in arrears with parish share payments a loan will NOT normally be made available unless the PCC can demonstrate that if the loan is granted, it will enable funds to be released that can be used to clear any outstanding parish share arrears.

The decision of the Finance Committee in any loan application is final.

Withdrawals

When a PCC wants to make a withdrawal from the DLF it can either send a bill for settlement to the Finance Team in the Diocesan Office or, ask for a repayment to go back to a nominated PCC bank account. In all cases the relevant DLF account from which funds are being drawn will need to be quoted. PCCs should also remember that payment of bills is the responsibility of the PCC and not the Diocesan Office and to note any timescales for payment – don't hold onto a bill for a month before sending it in as it could be a further 10 days before payment is made!

Please note, all payments are made by BACS transfer and not by cheque. To avoid possible delays in payment you may need to ensure the Finance Team have the bank details for any organisation that you wish to send funds.

PCCs should remember that if they make a withdrawal from the DLF, and they have insufficient funds available to meet the withdrawal, the payment will not be made.

Interest

Interest is calculated on all balances in credit from the date that deposits are received and accrues on a daily basis but the interest is only added to the account at the end of each quarter (31 March, 30 June, 30 September and 31 December). Likewise, if a payment is made out of an account, the interest is calculated from the date of the payment. Should a payment be requested that might take the account overdrawn without previously agreed loan

facilities, the Finance Team can calculate the amount of interest that has accrued to the date of this payment. This interest may be applied to the account if that enables the payment to be made.

Loan accounts accrue interest in the same way, with accrued interest owed being added each quarter.

Accounting treatment

Any funds set aside in the DLF could be either designated funds or restricted funds, depending on how the money was given in the first place. If the PCC has set aside money from general funds, it will be a designated fund (eg the PCC decides to set aside money into a hall kitchen refurbishment account) but, if the money given has come from restricted gifts, then it must be a restricted fund (for instance money from an appeal towards a new building fund). At the year end the DLF account must form part of the total assets for the relevant fund type.

Money paid into the DLF is NOT expenditure but is money transferred from one account to another. Any movements of funds into the DLF should be shown in the section 'transfers between funds' in the SOFA for the year end annual accounts. Likewise the same applies if a PCC has a refund from the DLF.

Expenditure made from the DLF for whatever purpose needs to be shown in the SOFA in a relevant line under 'Resources Expended'.

Any balances in the DLF belong to the parish, not the Diocese, and can only be utilised with the authority of the parish.

Effect on Parish Share

Some funds raised by PCCs are subject to allowances against Parish Share. This is often because fund raising for some projects may take several years to complete before the project can commence. Currently allowances can be given for the following capital projects:

- Assistant staff housing
- Extension and rebuilding of Church buildings
- Refurbishment/replacement of bells
- Heating systems
- Refurbishment/replacement of organs or equivalent modern instruments

If funds are raised by a parish and then deposited into the DLF for a scheme such as one of the above, the funds deposited (together with any accrued interest) are deducted from the assessable income of the parish for the Parish Share calculation. The same relief is also given for the repayment of loans made from the Fund for a scheme such as above.

However, if funds are withdrawn from a DLF account that has previously had an allowance given for it and used for a purpose for which an allowance would not be given, then an adjustment will be made to the annual statement used to calculate the net income of the parish for Parish Share purposes.

APPENDIX I – SAMPLE CRF STATEMENT

ROCHESTER DIOCESAN BOARD OF FINANCE STATEMENT OF ACCOUNT AS AT 31/12/11

Printed on:
05/01/12

Page 1

Parish No. A0501 ANDOVER ST MICHAEL

To: BRIAN BASSETT
123 BROOK STREET

ANDOVER
KENT TN55 1XY

A/C No: CRFS A0501 A CHURCH HALL S/A Type: CRF

Balance: -6,214.92

| Posting Date | Document No. | Description | Debit | Credit |
|--------------|--------------|---|-----------------|-----------------|
| | | Opening Balance | | 7334.75 |
| 17/01/11 | SJ13315 | PCC CHQ | | 700.00 |
| 03/04/11 | SJ13580 | DD COLLECTION | | 700.00 |
| 24/06/11 | 005777 | Bailey & Brown | 3,450.00 | |
| 17/07/11 | SJ13842 | PCC CHQ | | 700.00 |
| 06/09/11 | SJ14011 | DD COLLECTION | | 700.00 |
| 17/10/11 | 006431 | Green Partnership | 675.00 | |
| 31/12/11 | SJ15543 | Interest | | 205.17 |
| | | Total Transactions in Period: CRFS A0501 A | 4,125.00 | 3,005.17 |

APPENDIX II – SAMPLE DLF STATEMENT

**ROCHESTER DIOCESAN BOARD OF FINANCE
STATEMENT OF ACCOUNT AS AT 31/12/11**

Printed on:
05/01/12

Page 1

Parish No. A0501 ANDOVER ST MICHAEL

To: BRIAN BASSETT
123 BROOK STREET

ANDOVER
KENT TN55 1XY

A/C No: DLF A0501 A DEVELOPMENT FUND **Type:** DLF

Balance: -24,160.36

| Posting Date | Document No. | Description | Debit | Credit |
|---------------------|---------------------|--|-----------------|-----------------|
| | | Opening Balance | | 23814.60 |
| 17/02/11 | SJ13601 | PCC CHQ | | 2000.00 |
| 31/03/11 | SJ13701 | Interest | | 64.50 |
| 05/04/11 | SJ13720 | DD COLLECTION | | 1500.00 |
| 21/06/11 | 006121 | Allsorts Builders | 5,815.00 | |
| 30/06/11 | SJ13798 | Interest | | 66.25 |
| 18/07/11 | SJ13852 | PCC CHQ | | 2500.00 |
| 06/09/11 | SJ14012 | DD COLLECTION | | 800.00 |
| 30/09/11 | SJ13798 | Interest | | 76.80 |
| 17/10/11 | 006431 | Allsorts Builders | 925.00 | |
| 31/12/11 | SJ15543 | Interest | | 78.21 |
| | | Total Transactions in Period: DLF A0501 A | 6,740.00 | 7,085.76 |

APPENDIX III – SAMPLE INTEREST CHANGE NOTICE



**DIOCESAN OFFICE, ST. NICHOLAS CHURCH,
BOLEY HILL, ROCHESTER, ME1 1SL**

Tel: (01634) 560000 Fax: (01634) 408942

E-mail: finance@rochester.anglican.org

“Proclaiming the Word and Work of God”

Our Ref: MJB/hc

Martyn J. Burt, B.Sc.(Hons), ACMA, ACMI

E-mail: martyn.burt@rochester.anglican.org

January 2010

To: All Treasurers

DIOCESAN INTEREST RATE CHANGES – JANUARY 2010

Diocesan Loans Fund

With bank base rates over the past few months remaining at an all time low it has become necessary to further reduce the Diocesan Base Rate to 1.40% from 1 January 2010. This supercedes that of 1.50% which was effective from 1 April 2009.

Deposits into the Diocesan Loans Fund are invited from all parishes, which will earn interest at 1% below the Diocesan Base Rate, and withdrawals can be made on demand.

Interest is calculated on a daily basis and added to the account quarterly. Upon request interest may be paid to the parish at not less than quarterly intervals. The minimum period of a deposit is one calendar month; there is no minimum amount.

If parishes have money, which is not immediately required, then by depositing in the Diocesan Loan Fund not only is interest received but the money is also available to help other parishes.

Do not forget, loans for approved purposes can be made to PCCs subject to adequate provision for repayment. The maximum period is usually 5 years with an interest rate normally at 1% above Diocesan Base Rate, but subject to a minimum of 2.00%. You do not have to have a DLF account to obtain a loan as the facilities are available to all PCCs. Enquiries should be directed to the Diocesan Treasurer in the first instance.

Church Repair Fund

It is also necessary to reduce the interest rate payable on deposits into the Church Repair Fund. The rate will reduce to 0.40% from 1 January 2010. This supercedes the rate of 0.50% which has been in place since 1 April 2009.

Interest is calculated on a daily basis and added to the account annually. As with the Diocesan Loans Fund, parishes are encouraged to put aside funds into the Church Repair Fund; all deposits made and interest received is excluded from the calculations for Net Assessable Income.

Please remember, approved loans for repair and restoration work from the Church Repair Fund will continue to be interest free.

Enquiries about accounts in the Fund should in the first instance be directed to Suzanne Rogers who will be please to help you.

Comment

We do our best to ensure that the rates paid on both DLF and CRF deposits remain both reasonable and competitive, but with bank base rates being at such a low level it is impossible to offer a higher level of return at the current time. The reduction in rate has been forced upon us as we were no long able to cover our costs.

Obviously, if rates pick up we will do our best to raise the rates being paid.



Martyn J Burt

Diocesan Treasurer

APPENDIX IV – DIOCESAN LOANS POLICY

Diocesan Loans Policy (as Agreed July 2012)

Background

Treasurers should know that the Diocese has a couple of savings schemes for parishes to use: the Diocesan Loans Fund and the Church Repair Fund both of which accept deposits from PCCs. PCCs are also able to approach the Finance Committee for a loan from one of these as appropriate.

Further details of both the Diocesan Loans Fund and the Church Repair Fund can be found in the booklet issued September 2007 (The Church Repair Fund and Diocesan Loans Fund – Rochester Treasurer Guides no 4).

Parishes are encouraged to make deposits into the schemes as they are able. This then gives further resources for others to borrow from. However, any money that is borrowed has to be done on the understanding that it will be repaid in accordance with the loan terms. As funds for parish loans are used from parish deposits, PCCs need to be able to demonstrate their ability to repay any loan for the sake of the diocese as a whole.

The Church Repair Fund allows for the borrowing of money if a PCC has insufficient available to meet necessary and identified repairs, and the PCC has been contributing into the scheme in accordance with a recommended contribution rate. Normally, any loan is interest-free.

The Diocesan Loans Fund allows for the borrowing of money for any normal purpose of the PCC, or where the Church Repair Fund is unable to make a loan, subject to the PCC satisfying the Finance Committee of the ability to meet the repayments. Loans are normally interest-bearing.

To this effect the Bishop's Council has agreed the following policy/procedure in respect of making loans available:

Procedure for Agreement to Loans

1. Loan applications are to be made in the first instance to the Diocesan Treasurer. (Although preliminary discussions are often held before making an application, these will always be on an informal basis and will only cover the basic process rather than specific details).
2. All applications are to be made in writing and are to specify:
 - What the project is
 - Which fund is being requested for the loan
 - How much is required
 - When funds are required

- What existing funds are available for the project (or why certain funds the PCC may have are NOT available)
 - How the PCC expect to meet the repayments (which could include grants from other bodies, increased parish income or planned gift days/fundraising events)
 - What terms the PCC wish to have the loan over
 - A written undertaking from the PCC that the loan repayments will be made without upsetting all existing financial commitments including stipend payments and parish share
 - Any other details that the PCC feel may help in their application.
3. Loan applications will be reviewed by the Diocesan Treasurer, in the first instance, and any questions of clarification will be raised with the applicants.
 4. Loans up to the value of £25,000 can be agreed by the Diocesan Treasurer assuming everything appears in order, and the parish's parish share and stipends payments are up to date, but any loan in excess of this amount, or if the PCC request additional terms that are outside normal terms will be referred to the Finance Committee for approval. In the case of Church Repair Fund Loans, but not Diocesan Loans Fund Loans, the Diocesan Treasurer can still approve a loan up to £25,000, even if parish share and/or stipends payments are in arrears, after consultation with the Archdeacon and Chairman of the Diocesan Board of Finance.
 5. In reviewing a loan request the Finance Committee will consider the above items, the credit history of the parish and/or any comments or observations from the Diocesan Treasurer, Archdeacon or PCC representatives before agreeing to any loan.
 6. A PCC can make a direct representation to the Finance Committee should they wish to do so. Indeed, the Finance Committee welcomes direct discussions with PCCs.
 7. The Finance Committee reserves the right to place on any loan application any additional loan requirements before agreeing to any loan request.
 8. The Diocesan Treasurer will write to the parish to confirm the loan arrangements (or refusal), what terms and conditions will apply, and when and how repayments are to be made.
 9. If a parish does not keep up payments on a loan in accordance with the notified repayment schedule the Finance Committee reserves the right to 'call in' the loan at a specified time and/or to change the loan terms. Any loan at preferential rates of interest (for instance, CRF loans are interest-free) can be converted to a loan where interest is charged at rates equivalent to normal DLF terms (DLF base rate + 1%) as the Finance Committee so determines. The PCC is encouraged to talk with the Diocesan Treasurer or

the Archdeacon at an early stage if it feels there may be difficulties in meeting the repayment terms as agreed.

10. PCCs should remember that loans are given out of funds deposited by other PCCs and the Finance Committee is only ensuring that deposited funds are not put at risk.
11. The decision of the Finance Committee in any loan application is final.

Normal Loan terms

Church Repair Fund Loans:

- Normally loans available to PCCs for repair and restoration work but only if the PCC has been contributing into the scheme in accordance with recommended repair rates. Loans are normally interest-free and over a maximum 5 year term.
- If a PCC wishes to carry out repair or restoration work but has NOT been contributing in accordance with the recommended repair rates then a loan can only be given from the Diocesan Loans Fund, however, the Finance Committee may vary the interest rate payable on a case by case basis.
- In some circumstances the Chancellor may not agree to grant a faculty until funding for the work has been arranged, which could include the agreement to a loan. It is therefore important for a PCC to agree in principle to the funding arrangements before going ahead with any work.
- If a parish is in arrears with parish share payments a loan will still be made available if the PCC is able to agree to meet the loan repayments and if deposits have been made in accordance with the recommended rates. However, a loan will NOT be made available if there are other PCC funds available or the property concerned is being used as an investment generating asset.

Diocesan Loans Fund Loans:

- Loans are available to PCCs for any purpose of the PCC, however it is likely that a loan for a revenue item (such as to pay for staff wages) may be declined. Loans are normally at DLF-base rate +1.0% and over a maximum term of 5 years. There is no penalty for early payment.
- If a parish is in arrears with parish share payments a loan will NOT normally be made available unless the PCC can demonstrate that if the loan is granted, it will enable funds to be realized that can be used to clear outstanding parish share arrears.

(Policy as agreed by Bishop's Council July 2012)
Martyn J Burt (Diocesan Treasurer)
August 2012