



The Church of England  
in Essex and East London  
Diocese of Chelmsford

# 2017 Budget Report

## 2017 Headlines

- The 2017 budget supports:
  - Stipend increase of 1.5% from April 2017
  - 284.4 full time equivalent (FTE) parochial stipendiary positions (a reduction of 4 on 2016)
  - Continued growth in curates, ordinands and lay ministry:
    - 52.5 FTE stipendiary and 60 SSM curates in training
- National funding is budgeted at £2.54m, which is £98,000 lower than 2016 as the national funding changes begin
- In 2017 the gross benefice share (before credits) will increase by no more than 2% compared to 2016
- Clergy housing improvements are fully funded for the first time in years
- There is no budget provision for share shortfall, which means any shortfall will hit directly on reserves
- Increased investment in future ministry of £325k; overall share increase of £302k
- Total asked in Share in 2017 will be £16.5m. Total spend on ministry (parish and curates) budgeted at £17.1m.

This budget was agreed by Diocesan Synod on 18 June 2016. This report explains the 2017 budget and invites your thoughts to help develop longer term budgets.

## Introduction: 2017 and beyond

1. Since 2005 we have produced a report each summer setting out the main themes for the emerging budget and inviting responses, usually on a set of consultation questions. The feedback on the report is always really helpful, and informs the final budget presented to the November Synod.
2. This year is a little different: the Diocesan Synod agreed the 2017 budget at its June meeting. This is because Synod has also agreed to move to a new system for parish share and 2017 is a transition year. The diocesan trustees felt, and Synod agreed, that giving parishes as much certainty as early as possible was the priority for 2017, and so decided to agree the budget earlier than in the past.<sup>1</sup>
3. Synod agreed this motion: *‘That this Synod*
  - a) *approve the Diocesan Budget for 2017 and the total Share of £16,529,850; and*
  - b) *approve the apportionment of the total Share to benefices in accordance with the transition provisions for the new Share Scheme, subject to a cap of 2.0% in increases in gross share (before credits) at benefice level compared with 2016.’*

This means that a PCC should be able to make a reasonable estimate of the share for 2017 based on the agreed cap and the trend in weddings and funerals in the year to April compared to the year prior, which determines the fee credit. We hope to have actual figures to benefices in early Autumn.

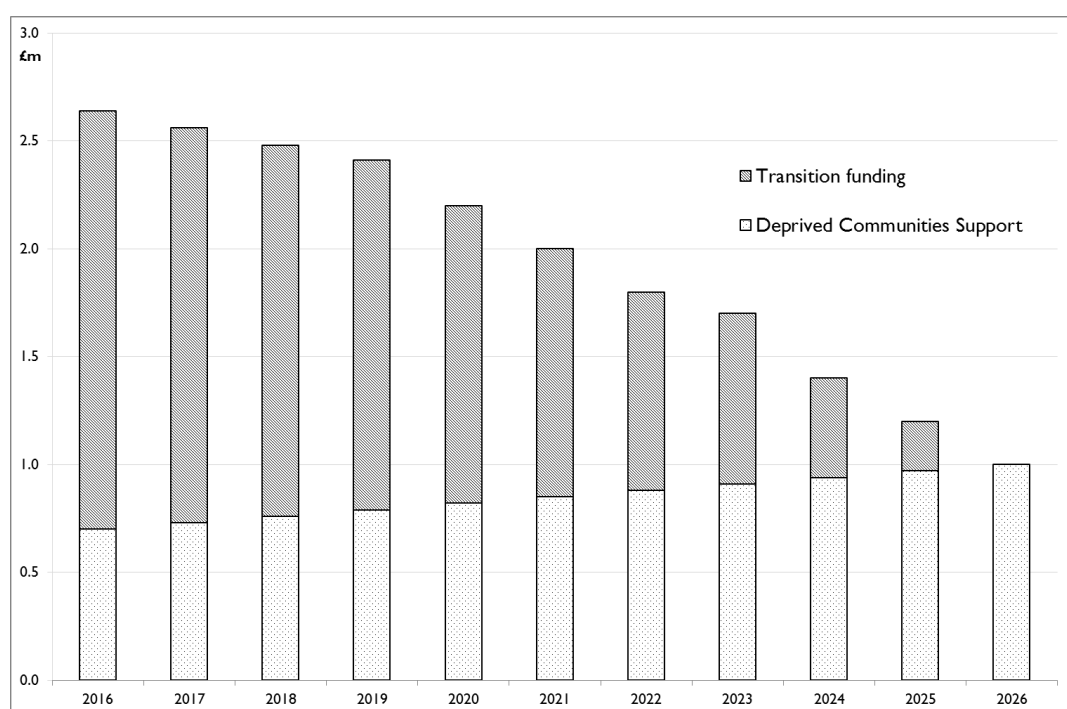
4. So if the budget is agreed already, why a report? First, to explain where the 2017 numbers come from (much of this report is drawn from the Synod paper). Second, to explore the longer term factors that shape the budget so that we might be able to give parishes a longer term indication on the budget and Share. To do this we need to make some assumptions about the future and we would like your views. The response sheet at the back of this report poses some specific questions and invites other comments. You are welcome to respond individually or discuss (e.g. as a PCC) and respond collectively. Please respond as soon as you can and no later than Monday 17 October 2016. This report and an on-line version of the questions may be found at: [www.chelmsford.anglican.org/parishes/parish-finance/2017-budget-report](http://www.chelmsford.anglican.org/parishes/parish-finance/2017-budget-report). You are welcome to contact John Ball or Mark Spraggins at the diocesan office if you have any questions about this report.
5. Finally, this is the first budget report not to have been written by Canon Don Cardy who retired from his role as Chair of the Budget Committee at the end of 2015. The trustees of the Diocesan Board of Finance would like to express their thanks to the extraordinary contribution Don has made to the life and work of this diocese and in particular the pivotal role he has played in diocesan finances for more than a decade.

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<sup>1</sup> For details of the new share scheme please see <http://www.chelmsford.anglican.org/share>

## The national church context

6. From 2017 a number of national policy changes come into place under the banner of 'Renewal and Reform'. You might like to ask your local General Synod member to tell you more about this package which looks at questions including discipleship and evangelism, simplification of the church rule book, changes to the funding arrangements for dioceses, and a rethink on the finances for clergy training. These last two areas are particularly significant for the budget in 2017 and beyond.
7. Many dioceses including ours have benefited from investment income delivered by the Church Commissioners. This funding was worth £2.6m to our diocese in 2016 (which is just over 12% of our income). From 2017 the old formula is replaced by a new system which sees half the national funding allocated on the basis of deprivation. The effect in this diocese is that the funding from the national church will fall significantly but gradually over the next ten years, as shown below.



8. The other half of the Commissioners' funds is available for dioceses to apply for under the heading 'strategic development funding'. This diocese has already been successful in bidding into this fund. We were awarded £850,000 to fund additional support to parishes. This has enabled the launch of the Parish Giving Scheme, expansion of the book keeping service for parishes, and support to parishes with tired buildings considering redevelopment. It is also supporting a national experiment with interim ministry where a minister is appointed to work with a parish for a period to help them through a time of transition and change.
9. We are presently exploring a further bid for funding to help respond to the huge increase in population expected in this diocese over the next ten years. New housing in East London and Essex will add 10% to the population of the diocese in the next decade.

## Ministry costs and stipendiary numbers

10. Our diocesan budget continues to work on the principle that budget follows ministry deployment; it does not determine it. In this diocese we are having to face the 'retirement tsunami' which will see a huge increase in retirements from stipendiary ministry by the end of the decade. Even with more people coming forward for ordination and lay ministry in this diocese, the overall effect will be a reduction in the number of available stipendiary clergy to 2025 (after which the number may rise again if people continue to offer themselves). From a budget perspective that means fewer stipendiary clergy in post but increased training costs. We would expect an *average* reduction in stipendiary clergy positions of 5.5 annually. In practice this is likely to range between 3 and 8 each year. The reduction in establishment posts for 2017 is 4. As part of our longer term planning we need to take a view on the rate of change.
11. We do now appear to be seeing signs of the increased rate of clergy retirements. Certain parish vacancies have had to be advertised twice or more. Even then some appointments have not been possible. The budgeted vacancy rate has been increased to 7.5% to reflect this. Please note this merely reflects the current realities despite sustained efforts; there is no deliberate policy of holding vacancies open.
12. One of the criticisms of the former share scheme was that it placed too much emphasis on stipendiary clergy and not enough on self-supporting and lay ministry. The new budget looks to address this. Table 1 below sets out the per person direct cost for different types of ministry. Note these costs reflect the *current* cost of ministry and do not include pre-ordination/licensing training. These are the figures that would be used in calculating the direct costs of ministry element ('A') for Share purposes.<sup>2</sup>

**Table 1: Direct Costs of Ministries 2017**

	<b>Stipendiary Incumbent</b>	<b>Self-Supporting</b>	<b>Reader / LLM</b>	<b>House for Duty</b>	<i>2016 Stipendiary</i>
Stipend	25,730				25,340
Related Costs	373				361
National Insurance	2,058				2,002
Pension	9,334				9,231
Council Tax	2,078			2,078	2,023
Water rates	506			506	509
Insurance	383			383	385
Repairs/improvement	4,990			4,990	4,953
Housing management	1,191			1,191	1,171
Net vacancy costs	698			698	781
DBS Checks	27	27	27	27	28
In service training	497	497	272	497	515
<b>Total</b>	<b>47,865</b>	<b>524</b>	<b>299</b>	<b>10,370</b>	<b>47,299</b>
<b>Number</b>	<b>284.4</b>	<b>79</b>	<b>170</b>	<b>25</b>	<b>288.3</b>

NB where totals do not sum this is simply due to rounding

<sup>2</sup> References to A, B1, B2, B3, C etc refer back to the headings in the budget on page 10. These headings are used in the new Share Scheme.

13. Followers of the budget papers will note that the ‘costs of a stipendiary incumbent’ figures do not completely tally with the similar tables presented in the past. This is partly because of improved classification of costs. An important factor however is that the budget now shows the true cost of clergy housing; for some years a large proportion of the improvement work has been funded from sales of surplus property, which is neither sustainable in the long term nor optimal stewardship.<sup>3</sup> A small increase in housing maintenance budgets has been made to reflect continued positive inflation in this sector of the economy (though the maintenance budget remains below its 2009 level in real terms).
14. Clergy stipends will increase by 1.5% from 1 April 2017, which is in line with the national recommendation for the increase in the National Stipend Benchmark.<sup>4</sup> A recent history of stipend increases is shown below; note despite annual increases, since the economic crisis of 2008, stipends (like average earnings in the economy) have fallen behind inflation (CPI). (By contrast the state pension over the same period has outperformed inflation and average earnings.)

% change in	2011	2012	2013	2014	2015	2016	2017	Average
Stipends	1.5%	2.0%	2.0%	1.0%	2.0%	1.5%	1.5%	1.6%
Inflation (CPI)	4.5%	2.8%	2.6%	1.5%	0.0%	0.8%	2.0%	2.0%

15. The National Stipends Benchmark is an annual figure and at present there are no forward projections for it. This means we need to make our own assumptions about where this might go in future. (These assumptions will also influence our diocesan response to the annual consultation.) We could follow forecasts for inflation or average earnings; we could use the past as a guide to the future, or do something else. We welcome your views on this.
16. The clergy pension scheme was revalued at the end of 2015. Based on the interim conclusions of this process we are assuming that the overall contribution rate should remain unchanged at 39.9% of National Minimum Stipend for at least the next three years. What will happen to the contribution rate in the long term remains to be seen.
17. Overall the increase in stipends and other per capita costs is entirely offset by the reduction in budgeted posts, which arises from the small reduction in establishment posts and the increased vacancy rate. This gives a small decrease in the total direct costs of ministry (‘A’) for 2017 compared to 2016.

## Future lay and ordained ministry

18. The largest area of growth in the 2017 budget relates to future ministry – lay and ordained. The annual intake of stipendiary title curates has increased in each of the last five years and now stands at 16 per annum. The 2017 budget therefore provides for an average 52.5 FTE stipendiary and 60 self-supporting title curates in post over the year (2016: 47.5 stip; 60 SSM).

<sup>3</sup> The removal of the shortfall provision – described below – neutralises the impact of this change in terms of overall share in 2017

<sup>4</sup> Stipends for curates in training are based on the National Minimum Stipend which will be known later in the year but is not expected to vary significantly from the general increase. Salaries are budgeted to increase by the same amount as stipends, 1.5%.

19. This diocese now produces the third highest number of ordinands (behind London and Oxford) and the numbers entering self-supporting and lay ministries are increasing. The number of deacons ordained has increased 43% compared to 5 years ago.
20. In addition to budgeting for these costs we have allowed for an increase of 6.3% in our share of the Church of England's costs for future clergy (including pooled maintenance costs), based on the Archbishops' Council budget. (This partly relates to the review of clergy training – see paragraph 6 above.)
21. The pilot project on young vocations commenced under the Mission Opportunity Fund comes fully into the general budget from 2017.
22. Taking the above together total future ordained and lay ministry and training costs ('B1') increase by 8.9%.
23. Future ministry – including curates – could be a continued area of budget growth. This presents some dilemmas in balancing an additional cost with the potential of a greater supply of vicars and lay leaders in the future. By 2018 it is quite likely we will produce more stipendiary deacons than our historic allocation and we need to decide to what extent we should create curacies in this diocese versus releasing ordinands to other dioceses. This is not an easy decision as clergy tend to spend a considerable part of their ministry in the diocese in which they served as curate. More vocations for lay and ordained ministry means more ministers which means more church. How quickly we are able to bounce back from the projected low c2025 is critically dependent on growing future ministers. So we need to take a view on how much growth in future ministry we want to incorporate into our future budgets.

### **Diocesan services to parishes and schools, and other costs**

24. In recognition of the huge challenge this diocese faces with population growth, the half time Mission in Regeneration Adviser role has been redesignated as a diocesan resource. The Barking Area Mission & Pastoral Committee agreed to increase the area team to 3.25 FTE to provide additional resources for Continuing Ministerial Development.<sup>5</sup> These two changes account for half of the overall increase in 'B2' (services to Mission & Ministry Units / parishes).
25. We are continuing the policy of holding many budget lines constant in cash terms, which provides an efficiency squeeze. In addition, further specific efficiency savings in excess of £40k have been incorporated for 2017, including savings in diocesan office costs, use of alternative funding sources for certain expenditures, and improved financial performance at the Retreat House following refurbishment. (In recent years efficiencies have ranged from simple measures such as shifting to electronic communications, to more complex measures such as financing curates housing which now generates savings of the order of £70k a year against the previous policy. The DBF Finance Executive remains committed to an on-going programme of efficiencies and rethinking how things are done.)

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<sup>5</sup> Area team costs allocate to benefices in the Area concerned, therefore the additional 0.25 FTE adds an average of £109 and maximum of £400 per benefice in the Barking Area to Share. The increase in CMD resource arises chiefly because a high number of the self-supporting curates are in the Barking Area and many are following individual training pathways which require additional support.

26. The budget does allow however for increases in fees for Quinquennial Inspections of Churches, which have been static for some years, as well as legal support and other costs which are set by statutory instrument. Education support also increases to partly respond to the changing Government policy agenda, and this may be an area where further growth should be considered in the future if we are serious about growing the family of church schools and ensuring all church schools perform for their children.
27. The main increase in 'other expenditure' ('B3') is the diocese's contribution to the national church which has increased by 2.9%, largely attributable to the need to resource an expanded National Safeguarding Team. The national church contribution accounts for almost the entirety of the increase in this category; other increases having been offset by savings.
28. The 2017 budget therefore proposes expenditure of £21,546,746. Current and future ministry makes up 83.2% of this.

**Table 2: Expenditure Summary**

		2017	% Overall Spend	2016	% Change
A	Current Ministry Costs	13,964,282	64.8%	13,966,038	-0.01%
B	B1: Future Ministry & Curates	3,968,237	18.4%	3,643,113	8.92%
	B2: Services to Parishes	2,133,008	9.9%	2,071,139	2.99%
	B3: Other costs	1,481,219	6.9%	1,466,299	1.02%
C	Total A+B	21,546,746		21,146,589	1.89%

## Income & the mutual support fund

29. This diocese has long been a large net recipient of national church funding. As described above the national funding formula is changing, with a reduction of £98,000 in 2017.
30. Under the new share scheme, in addition to the income from the national church, the mutual support fund holds investment income and net income from statutory fees (weddings/funerals – after allowing for fee credits to parishes). Investment income increases in 2017, partly due to rent reviews and growing the endowment over the longer term to deliver more income is a priority for the trustees. The mutual support fund also includes savings from vacant posts, and this category has increased reflecting the higher vacancy rate discussed above.
31. Income into the Mutual Support Fund (before offers into the fund, which come into effect from 2018) totals £5,016,896 as below. This represents a net increase in the Mutual Support Fund of 1.98%, notwithstanding the reduction in national church support.

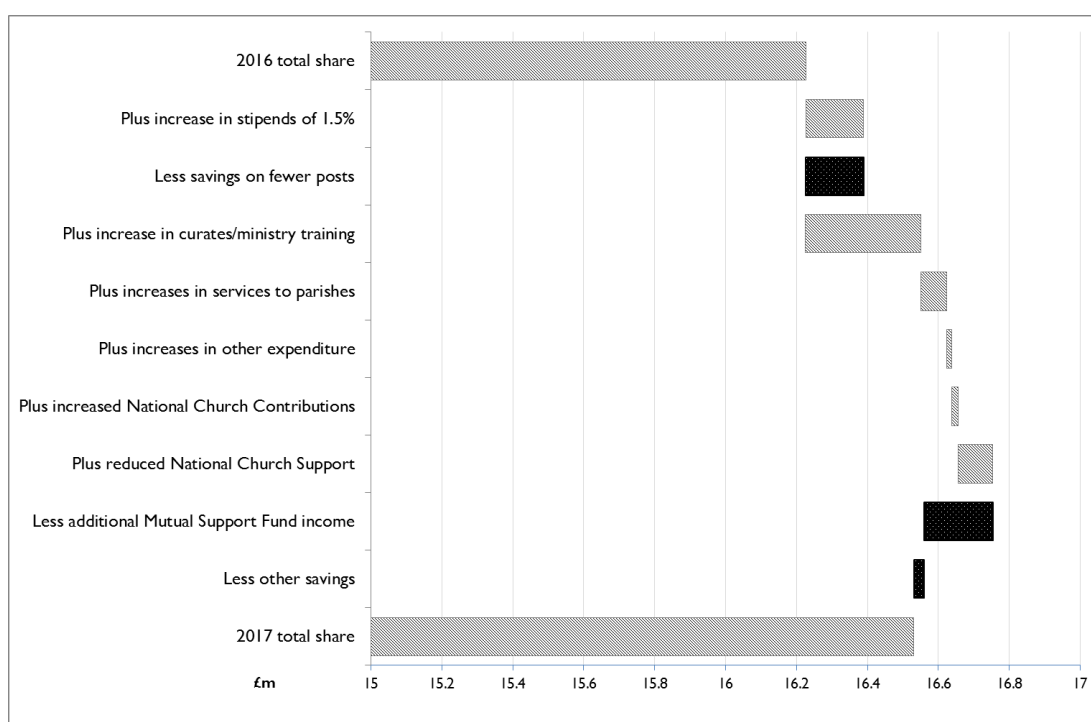
**Table 3: Mutual Support Fund Income**

£	2017	2016
National Church Support	2,540,000	2,637,887
Investment income	1,159,376	1,078,936
Fee income (net of credits to parishes)	480,000	480,000
Savings from vacant posts	837,520	722,426
Total	5,016,896	4,919,246

32. Due to the impact of the national funding changes on this diocese, the Church Commissioners have indicated that additional one off restructuring funding may be made available to this diocese. The Finance Committee has agreed that if this funding is forthcoming it should be particularly directed to support deaneries where ministry number reductions are planned but cannot be realised in the near term. This will have the effect of mitigating share increases and may in some cases allow reductions in share earlier than they might otherwise have been achieved.
33. The main source of income remains the generosity of individuals and parishes through the Share. Recognising the consistent feedback from previous budget consultations, we are continuing the approach of seeking to limit the overall share increase.
34. In recent years the budget has included a provision for shortfall on parish share, comprising £650,000 from the general fund and £250,000 from reserves in the 2016 budget. (The size of the budgeted provision reflects the consensus of feedback from a previous budget consultation which suggested a level of 4%.) With the introduction of the new share scheme we are proposing, for 2017, to remove this budget provision, which effectively means parishes are not being asked to implicitly contribute to a contingency against share shortfall elsewhere. Any parish share shortfall in 2017 will therefore impact directly on diocesan reserves. The Trustees are satisfied that this is an acceptable risk in the near term. We would welcome views about the extent of provision to make for the long term.
35. Income for 2017 (including Share) is budgeted at £21,546,746, representing a balanced budget.

## 2017 Summary

36. The chart below summarises the key movements in the budget.





37. With expenditure of £21,546,746 and a mutual support fund of £5,016,896, the Share assessment is £16,529,850 (up 1.86% on 2016). The growth in future ministry is the largest increase in the budget, and indeed, the overall net share increase of £302k compares to the increase in costs of future ministry of £325k.
38. Over the period 2011-17 the average annual increase in the total share has been 1.3% which compares to average annual stipends increases of 1.64% and CPI Inflation of 2.03%. The average annual increase over the last 10 years has been 1.7% and over the last 20 years 3.2% (including 3 years at less than 1% and 6 years at 5% or more). We welcome your views on a sensible range for Share growth in the future.
39. One of the criticisms of the old share scheme was that changes in benefice shares could vary significantly from the change in the net share assessment due to the interplay of allocations to deaneries and then the deaneries' own formulae. So Diocesan Synod would agree an overall budget and cap on deanery share (typically around 3%), but with the deanery formula determining parish increases, the outcome for parishes could vary considerably. This changes with the new scheme.
40. For this transition year, Synod agreed a cap on the maximum increase in share for each benefice of 2%. (The headroom against the net budget increase allows for the beginning of transition and some benefices will see a reduction in 2017 gross share.) To be clear, this is a 2% cap on the increase in gross share before any fee credits, prolonged vacancy credit or regular payment discount.

## Conclusion

41. The generosity of parishes through the Share system remains the most important source of diocesan income. In 2017 the total asked in Share will be £16.5m. This compares to the total spent on ministry (parish and curates) of £17.1m, and that's before ordinands and other costs. Share pays for an important aspect of parish life: its ministry. But that is not the total of what a parish spends by any means. This is why changes in the diocesan budget and the impact on Share and local finance is so carefully considered and this is why we want to develop a longer term view on the budget and Share.
42. The 2017 budget as approved by Diocesan Synod is set out on the following page. Page 11 poses some questions on which we would welcome your views. Please respond by Monday 17 October 2016 by either returning the form (hard copy or scanned and emailed) or using the on-line form at [www.chelmsford.anglican.org/parishes/parish-finance/2017-budget-report](http://www.chelmsford.anglican.org/parishes/parish-finance/2017-budget-report).
43. Finally, thank you for all that you do for the gospel in East London and Essex and for your partnership in the stewardship of God's resources for mission in this diocese.

## CHELMSFORD DIOCESAN BOARD OF FINANCE - GENERAL FUND BUDGET 2017

Budget 2016						Budget 2017	% total	Increase
<b><u>A Direct Costs of Ministry</u></b>								
	Parochial Staff	ministers	Inc status	SSM	Lay	House for Duty		
288.3	No. of People (Stipendiary)	284.4	284.4					
	No. of People (Other)			79.0	170.0	25.0		
25,340	Stipend		25,730					
361	Related Costs		373					
2,002	National Insurance		2,058					
9,231	Pension		9,334					
2,023	Council Tax		2,078			2,078		
509	Water rates		506			506		
385	Insurance		383			383		
4,953	Clergy House repairs and improvements		4,990			4,990		
1,171	Housing management		1,191			1,191		
781	Vacancy Costs (net of rent)		698			698		
28	DBS Checks		27	27	27	27		
	In service training - LLM	0.5			272			
515	In service training - clergy	1.5	497	497		497		
							13,705,032	
47,299	Total for Stipendiaries		47,865					
	Total for House for Duty					10,370	259,250	
	Total for SSM & Lay			524	299			
<b>13,966,038</b>	<b>Direct Costs of Ministry Total</b>					<b>13,964,282</b>	<b>64.8%</b>	<b>-0.01%</b>
<b><u>B1 Future Ministry Training &amp; Curates</u></b>								
2,110,215	Direct Costs of Stipendiary Title Posts	52.5				2,354,993		
538,000	Housing & Appointment Costs of Title Posts					528,000		
906,279	Pre-Ordination incl DDO, Encounter & St Me	2.5				986,449		
32,558	Direct Costs of SSM Title Posts					31,483		
56,061	Lay Training & Discipleship	0.5				67,312		
<b>3,643,113</b>	<b>Future Ministry Training &amp; Curates Total</b>					<b>3,968,237</b>	<b>18.4%</b>	<b>8.92%</b>
<b><u>B2 Services to Mission &amp; Ministry Units/Parishes</u></b>								
			Barking	Bradwell	Colchester			
463,510	Area Teams Staff & Expenses	9.25	3.25	3.0	3.0			
			167,106	157,616	155,600		480,322	
689,908	Archdeacons (plus Area Bishops' houses)	7.0					696,907	
66,000	Area Deans & Other Parish Support						73,500	
160,613	Parish Legal & Church Building Services						169,593	
108,299	Education (net cost)						115,090	
60,048	Children & Youth Work						60,874	
75,699	DAC						76,483	
59,978	Parish Finance						60,724	
182,474	Safeguarding Services to Parishes						191,743	
158,405	Diocesan & Bishop's Advisers	3.1					171,567	
46,205	Chaplaincy & Partnerships						36,205	
<b>2,071,139</b>	<b>Services to Mission &amp; Ministry Units Total</b>					<b>2,133,008</b>	<b>9.9%</b>	<b>2.99%</b>
<b><u>B3 Other Expenditure</u></b>								
648,248	Diocesan Services	1.0				657,454		
200,488	Communications incl The Month					192,159		
49,900	Finance & Governance costs					55,900		
620,176	National Church					638,277		
50,000	Contingency					50,000		
(102,513)	Trading & Income from other sources					(112,571)		
<b>1,466,299</b>	<b>Other Expenditure Total</b>					<b>1,481,219</b>	<b>6.9%</b>	<b>1.02%</b>
359.9	Stipendiary Numbers Total	362.25						
<b>21,146,589</b>	<b>Gross Share</b>					<b>21,546,746</b>	<b>100.0%</b>	<b>1.89%</b>
<b><u>D Mutual Support Fund</u></b>								
(2,637,887)	National Church Support					(2,540,000)		
(1,078,936)	Diocesan Support from Investment income					(1,159,376)		
(1,100,000)	Income from Statutory Fees					(1,100,000)		
150,000	less Parochial Fees Paid					150,000		
470,000	less Fee Credits to Parishes					470,000		
(722,426)	Vacant posts					(837,520)		
<b>(4,919,249)</b>	<b>Mutual Support Fund Total</b>					<b>(5,016,896)</b>		<b>1.98%</b>
<b>16,227,340</b>	<b>Share Apportionment net of MSF</b>					<b>16,529,850</b>		<b>1.86%</b>

## Budget Report for 2017: Your Responses

Name	
Parish (or BMO etc)	
Position (e.g. incumbent, treasurer)	
Email address	

Is this an individual or a collective response?

- Individual  Collective, on behalf of \_\_\_\_\_

1. Did you find this report helpful in explaining the 2017 budget and longer term financial issues?

- Yes  No (please elaborate below)

2. Do you agree that the budget should continue to *follow* ministry numbers and mission plans (paragraph 10)?

- Yes  No  Don't Know

3. Which of the following do you feel would be the most suitable basis for assumptions about future stipends growth (paragraphs 14-15)?

- Forecast Inflation  Forecast Ave Earnings  Historic trends in stipends  Something else (specify below)  Don't Know

4. What do you feel would be a sensible central assumption for stipends changes?

- 0 - 1%  1 - 2%  2 - 3%  3 - 4%  Don't Know

5. As a point of principle, do you feel we should budget to retain all our ordinands as curates even if this exceeds national notional allocations / current budget levels (paragraphs 18-23)?

- Definitely  Maybe  No  Not Sure

6. Please indicate what level of provision you feel we ought to make against the risk of Share shortfall in the future (if any) (paragraph 34)?

- None  1%  2%  3%  4%  5%  Don't Know

7. Taking into account all the factors raised in this report, and your answers above, what would be a sensible target range for annual Share changes over the longer term (paragraph 38)?

- 0 - 1%  1 - 2%  2 - 3%  3 - 4%  Same as stipend change  Don't Know

Other comments:

Finally, would you be content to receive this report via email instead of hardcopy in future? (We will only switch to email distribution if there is clear support for this. Please note that regular recipients for whom we do not hold an email address would continue to receive a hardcopy.)

Yes

No

Our Chief Executive & Diocesan Secretary would be pleased to receive your responses by Monday 16 October 2016, using one of the following methods:

- Post this form to John Ball, 53 New Street, Chelmsford, CMI IAT
- Scan / Email to [jball@chelmsford.anglican.org](mailto:jball@chelmsford.anglican.org)
- On-line using the electronic form at:  
[www.chelmsford.anglican.org/parishes/parish-finance/2017-budget-report](http://www.chelmsford.anglican.org/parishes/parish-finance/2017-budget-report)

Thank you