

DIOCESAN SYNOD

Title: **BUDGET 2018-20**

Sponsor: **CHAIR OF THE CDBF**

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I. INTRODUCTION

1. This report introduces the proposed diocesan general fund budget for 2018 for Synod's approval. It also sets out the indicative budgets for 2019 and 2020 which are presented for noting.
2. The budget has been developed with close reference to the feedback from last year's consultation, which asked for views on various planning assumptions.¹
3. As last year, the budget is being brought to the June Synod, rather than November, to assist Mission & Ministry Units, benefices and parishes in their forward planning. The new Share Scheme will be operating with a small number of Mission and Ministry Units for 2018. Elsewhere, transitional benefice share arrangements will continue to apply. The 2018 budget sets a cap on gross benefice shares at 2.5%.
4. The budget continues to be set in the context of the Church of England 'Renewal and Reform' programme. This has significant implications including a substantial but phased reduction in the support this diocese receives from the national church, plus increased costs to meet the aspirations for more vocations.
5. It has been an aspiration for some time to give a three year view on the budget. This is the first year in which this has been attempted. The figures for 2019 and 2020 are not final, but they do show the policy intent, namely to cap the budget at an increase in line with a stipends increase of 2% per annum. There are efficiencies and opportunities in planning to be worked through to ensure that balanced budgets can be proposed when Synod reviews the 2019 budget next year.

2. HEADLINES

- Stipends increase by 2% per annum.
- Budget for 280 full time equivalent (FTE) parochial stipendiary ministers in post in 2018, a reduction of 4.4 on 2017. Stipendiary numbers assumed to fall by only 4 FTE per annum in each of 2019 and 2020.

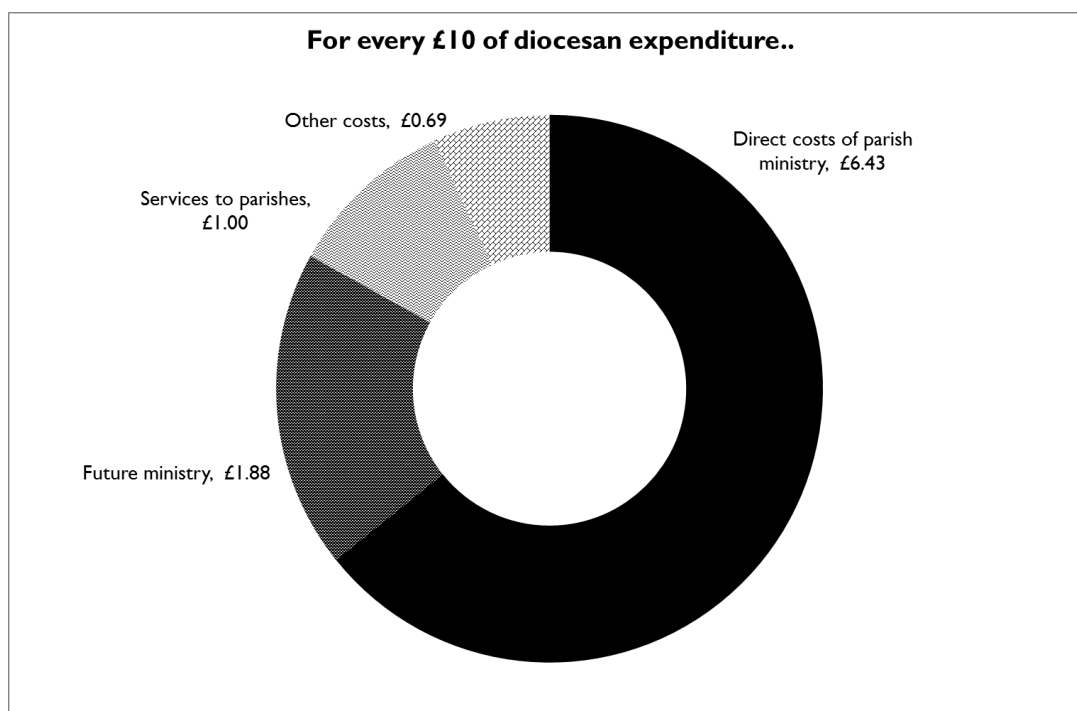
¹ A summary of consultation responses was presented to the November 2016 Synod and can be found at: www.chelmsford.anglican.org/committees/diocesan-synod, paper DS(2016)12.

- Funding to support growth in future ministry, including a record 18 stipendiary deacons in 2018 (reverting to 16 per annum thereafter). This is the most significant area of growth in the budget.
- National funding continues to reduce by £94,698 (net) in 2018 and by similar amounts each year thereafter.
- Budget efficiencies of c£54k continue to be realised, which partly offsets increased costs in relation to safeguarding and national church contributions.
- Budget increase limited to 2% per annum, 2018-20.
- Balanced budget for 2018, but more work to do to balance the budgets in 2019 and 2020 to ensure total share grows by no more than 2%.
- Gross benefice share increase (before fee credits) capped at 2.5%.

The next section summarises the 2018 budget. The appendix gives more detail, including the budget assumptions for 2019 and 2020.

3. BUDGET IN SUMMARY

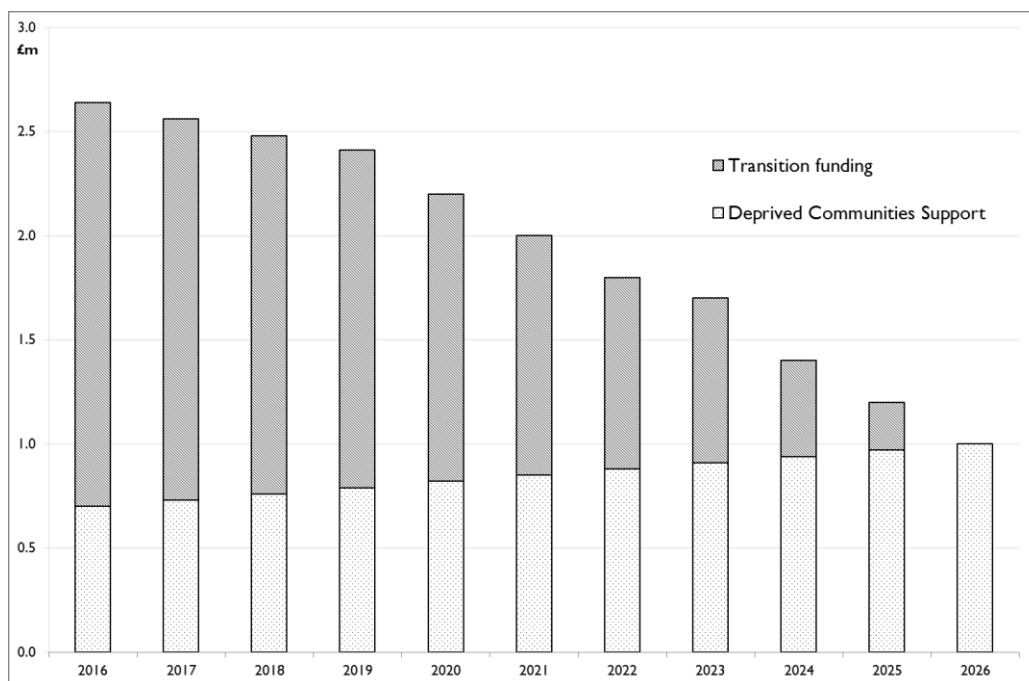
6. In last year's consultation 86% of respondents agreed with the principle that the budget should continue to *follow* the ministry plan rather than *determine* it. This principle therefore remains at the heart of our budgeting.
7. The overall budget for 2018 is balanced with income and expenditure of £21,861,335. The chart below shows how each £10 of expenditure breaks down:



8. Current and future ministry represents 83% of total expenditure, at a cost of £18.2 million. The total requested through the Share scheme is £16.9 million. The balance comes from other income and our Mutual Support Fund.
9. The direct costs of ministry in parishes and Mission & Ministry Units ("A" in the Share Scheme) show an increase in the cost per stipendiary minister of 2.2%. This arises mainly from a stipend increase of 2%, which is the national recommendation,

plus costs of the government's new Apprenticeship Levy and inflationary increases in housing costs including Council Tax. This, together with equivalent figures for other types of minister, is set out in the appendix.

10. As we know, the supply of stipendiary clergy is declining due to retirements nationally outstripping clergy completing curacy. This means we are planning on the basis that stipendiary numbers will fall, at least to 2025. For 2018 we assume a reduction of 4.4, which is at the low end of the average rate. Overall total current deployed ministry costs increase by 0.69% in 2018.
11. Future ministry costs ("B1" in the Share scheme) cover ordinands and lay ministers in training, plus the costs of curacies. This part of the budget continues to show most growth as the call for more vocations is heard. The increase of £129k (3.24%) for 2018 is mainly driven by ordaining a record 18 new stipendiary deacons, and all our self-supporting ordinands next year. Even with this record number we will be releasing six ordinands to serve stipendiary curacies in other dioceses.
12. With the exception of safeguarding, the budget is not proposing additional staffing for Services to Mission and Ministry Units and Parishes ("B2") or other expenditure ("B3"). The benefits of c£54k of efficiencies identified last year continue to work through, and while many cost lines are held constant in cash terms, some areas such as professional fees see an increase. The largest increase comes from our required contribution to the national church which rises by 4% in 2018.
13. Under the new Share Scheme, income from the national church, our investment income, net income from statutory fees, and vacant post savings accrue to the Mutual Support Fund. Net national church funding falls dramatically over ten years, as illustrated below. The cut in 2018 is over £94,000.



14. Despite this, the Mutual Support Fund remains at just over £5m in 2018, partly through savings from casual vacancies but chiefly from increased investment income.

This has come about through careful stewardship of assets in recent years. A small contingency against shortfall has been created within the mutual support fund by holding back £100k of the increased investment income.

15. The main source of income remains the generosity of individuals and parishes through Share. In line with the budget consultation, the increase in total share is held to 2%, matching the stipend increase. We propose individual benefice gross Shares (before credits) are capped at 2.5% to allow for continuing transition.
16. Total income for 2018 including the Share is budgeted at £21,861,335 representing a balanced budget. The budget is set out on the following page.

4. BUDGET BEYOND 2018

17. The assumptions behind the indicative budgets for 2019 and 2020 are described more fully in the appendix. They are particularly affected by a) the falling national church support, and b) increases in future ministry costs. In order to keep Share increases at around 2%, further savings need to be crystallised or additional income found. There are a number of areas under active consideration and the Trustees expect to present to Synod next year a balanced budget for 2019.

5. BUDGET REPORT AND MATTERS FOR CONSULTATION

18. As usual we intend to produce a report for wider circulation based on this paper. Last year's consultation proved extremely helpful in informing the 2018 budget and setting longer term planning assumptions. So this year we intend to invite feedback on some more specific areas such as the operation of the Fee and Vacancy Credits.

6. MOTION

'That this Synod

- a) *approve the Diocesan Budget for 2018 and the total Share of £16,858,676*
- b) *note the outline plans for 2019 and 2020*
- c) *approve the apportionment of the total Share according to the approved Share scheme; and*
- d) *agree a cap of 2.5% in increases in gross share (before credits) compared with 2017, for benefices operating under transitional Benefice Share, except where specific agreements are made.'*

Budget for 2018

Budget 2017						Budget 2018	% total	Increase
A Direct Costs of Ministry								
284.4	Parochial Staff	ministers	Inc status	SSM	Lay	House for Duty		
	No. of People (Stipendiary)	280.0	280.0					
	No. of People (Other)			79.0	170.0	25.0		
25,730	Stipend		26,220					
373	Related Costs		383					
2,058	National Insurance		2,177					
9,334	Pension		9,442					
2,078	Council Tax		2,162			2,162		
506	Water rates		513			513		
383	Insurance		388			388		
4,990	Clergy House repairs and improvements		5,198			5,198		
1,191	Housing management		1,222			1,222		
698	Vacancy Costs (net of rent)		686			686		
27	DBS Checks		28	28	28	28		
	In service training - LLM	0.5			274			
497	In service training - clergy	1.5	508	508		508		
							13,793,244	
47,865	Total for Stipendiaries		48,927					
	Total for House for Duty					10,705	267,625	
	Total for SSM & Lay			536	302			
13,964,282	Direct Costs of Ministry Total						14,060,869	64.3%
								0.69%
B1 Future Ministry Training & Curates								
2,354,993	Direct Costs of Stipendiary Title Posts	53.0					2,432,068	
528,000	Housing & Appointment Costs of Title Posts						550,000	
986,449	Pre-Ordination (inc DDO & St Mellitus)	2.5					1,012,440	
31,483	Direct Costs of SSM Title Posts						32,113	
67,312	Lay Training & Discipleship	0.5					70,306	
3,968,237	Future Ministry Training & Curates Total						4,096,927	18.7%
								3.24%
B2 Services to Mission & Ministry Units								
			Barking	Bradwell	Colchester			
		9.25	3.25	3.0	3.0			
480,322	Area Teams Staff & Expenses		165,848	159,940	152,516		478,304	
696,907	Archdeacons (plus Area Bishops' houses)	7.0					713,966	
73,500	Area Deans & Other Parish Support						73,000	
169,593	Parish Legal & Church Building Services						174,570	
115,090	Education (net cost)						119,064	
60,874	Children & Youth Work						61,900	
76,483	DAC						82,221	
60,724	Parish Finance						61,950	
191,743	Safeguarding Services to Parishes						219,664	
171,567	Diocesan & Bishop's Advisers	3.0					171,324	
36,205	Chaplaincy & Partnerships						36,218	
2,133,008	Services to Mission & Ministry Units Total						2,192,181	10.0%
								2.77%
B3 Other Expenditure								
657,454	Diocesan Services	1.0					656,654	
192,159	Communications incl The Month						192,206	
55,900	Finance & Governance costs						56,650	
638,277	National Church						664,201	
50,000	Contingency						50,000	
(102,571)	Trading & Income from other sources						(108,353)	
1,491,219	Other Expenditure Total						1,511,358	6.9%
								1.35%
362.3	Stipendiary Numbers Total		358.25					100.0%
21,556,746	Gross Share						21,861,335	1.41%
D Mutual Support Fund								
(1,850,092)	National Church Support Transition						(1,733,260)	
(689,908)	National Church Support Deprived Communities						(712,042)	
(1,159,376)	Diocesan Support from Investment income						(1,267,095)	
	Share Shortfall Provision						100,000	
(1,110,000)	Income from Statutory Fees						(1,110,000)	
150,000	less Parochial Fees Paid						155,000	
470,000	less Fee Credits to Parishes						470,000	
(837,520)	Vacant posts						(905,262)	
(5,026,896)	Mutual Support Fund Total						(5,002,659)	(0.48%)
16,529,850	Share Apportionment net of MSF						16,858,676	1.99%

	Budget 2018	Indicative Budget 2019	Indicative Budget 2020
<u>A Direct Costs of Ministry</u>			
Parochial Staff	Inc status 280.0	Inc status 276.0	Inc status 272.0
No. of People (Stipendiary)			
Stipend	26,220	26,744	27,279
Related Costs	383	389	395
National Insurance & Levy	2,177	2,221	2,265
Pension	9,442	9,631	9,823
Council Tax	2,162	2,205	2,249
Water rates	513	523	534
Insurance	388	396	404
Clergy House repairs and improvements	5,198	5,329	5,461
Housing management	1,222	1,240	1,259
Vacancy Costs (net of rent)	686	696	707
DBS Checks	28	28	29
In service training - clergy	508	513	518
Total cost per Stipendiary	<u>48,927</u>	<u>49,915</u>	<u>50,923</u>
		2.02%	2.02%
Direct Costs of Ministry Total	<u>14,060,869</u>	<u>14,145,274</u>	<u>14,227,427</u>
		0.60%	0.58%
<u>B1 Future Ministry Training & Curates</u>			
Direct Costs of Stipendiary Title Posts	2,432,068	2,575,346	2,675,694
Housing & Appointment Costs of Title Posts	550,000	579,562	599,855
Pre-Ordination (inc DDO & St Mellitus)	1,012,440	1,075,305	1,143,761
Direct Costs of SSM Title Posts	32,113	35,471	38,963
Lay Training & Discipleship	70,306	72,056	73,854
Future Ministry Training & Curates Total	<u>4,096,927</u>	<u>4,337,740</u>	<u>4,532,127</u>
		5.88%	4.48%
<u>B2 Services to Mission & Ministry Units</u>			
Area Teams Staff & Expenses	478,304	486,879	495,583
Archdeacons (plus Area Bishops' houses)	713,966	726,535	739,322
Area Deans & Other Parish Support	73,000	73,460	73,929
Parish Legal & Church Building Services	174,570	180,138	185,244
Education (net cost)	119,064	120,636	122,158
Children & Youth Work	61,900	62,928	63,975
DAC	82,221	83,574	84,954
Parish Finance	61,950	63,139	64,350
Safeguarding Services to Parishes	219,664	228,516	232,442
Diocesan & Bishop's Advisers	171,324	174,104	176,931
Chaplaincy & Partnerships	36,218	36,242	36,573
Services to Mission & Ministry Units Total	<u>2,192,181</u>	<u>2,236,151</u>	<u>2,275,461</u>
		2.01%	1.76%
<u>B3 Other Expenditure</u>			
Diocesan Services	656,654	669,851	682,710
Communications incl The Month	192,206	194,993	197,835
Finance & Governance costs	56,650	57,175	57,711
National Church	664,201	682,899	702,241
Contingency	50,000	50,000	50,000
Trading & Income from other sources	(108,353)	(112,172)	(116,032)
Other Expenditure Total	<u>1,511,358</u>	<u>1,542,746</u>	<u>1,574,465</u>
		2.08%	2.06%
Gross Share	<u>21,861,335</u>	<u>22,261,911</u>	<u>22,609,480</u>
		1.83%	1.56%
<u>D Mutual Support Fund</u>			
National Church Support Transition	(1,733,260)	(1,617,666)	(1,400,000)
National Church Support Deprived Communities	(712,042)	(734,751)	(825,000)
Diocesan Support from Investment income	(1,267,095)	(1,298,414)	(1,330,674)
Share Shortfall Provision	100,000	100,000	100,000
Income from Statutory Fees	(1,110,000)	(1,121,100)	(1,132,311)
less Parochial Fees Paid	155,000	157,325	159,685
less Fee Credits to Parishes	470,000	474,700	479,447
Vacant posts	(905,262)	(923,422)	(942,068)
Mutual Support Fund Total	<u>(5,002,659)</u>	<u>(4,963,328)</u>	<u>(4,890,921)</u>
		-0.79%	-1.46%
(Opportunities) to be found		(102,553)	(178,609)
Share Apportionment net of MSF	<u>16,858,676</u>	<u>17,196,030</u>	<u>17,539,950</u>
		2.00%	2.00%

Appendix: Budget in more detail and beyond 2018

The following sections provide a more detailed narrative on the 2018 budget and the assumptions behind the indicative budgets for 2019 and 2020.

7. STIPENDIARY NUMBERS AND MINISTRY COSTS

19. As explained in previous budget papers we anticipate the number of stipendiary clergy to gradually reduce to the year 2025. This is purely a reflection of a national trend of retirements, even with the welcome increase in vocations. From *Re-Imagining Ministry* we would expect an average reduction in stipendiary clergy positions of between 3 and 8 each year; our planning assumption is a modest reduction of 4.4 in 2018 and 4.0 per annum in 2019 and 2020.
20. The national church used to publish the 'Sheffield' series which set out a notionally 'fair' allocation of total stipendiary clergy between dioceses. In the past, this diocese tended to budget closely to its 'Sheffield' allocation. If the figures were still published we would now be about 20 posts *above* our 'fair' allocation. This is partly because of the emphasis in *Reimagining Ministry* on planning deployment properly rather than simply cutting the next vacant post that arises. We are nonetheless seeing some effects of being over-allocation, notably a rise in the number of vacancies which have to be advertised more than once.
21. The assumed vacancy rate in the budget is 8%. This is a slight increase on 2017 and reflects current realities; there is no policy of deliberately prolonging vacancies.
22. Table I below sets out the per person direct cost for different types of ministry (excluding initial training / curacy costs) which are used in calculating the direct costs of ministry ("A") for Share purposes. The key figures are explained below.
23. Stipend levels are set with reference to the annually published national benchmarks. In the budget consultation the vast majority of respondents felt that future stipends should reflect forecast average earnings (40%), forecast inflation (31%) or a combination (13%). Almost 60% of respondents felt that 1-2% was a sensible central assumption.
24. The Archbishops' Council has made a 2% pa recommendation to 2021, and this has been adopted for this budget. The same assumption is applied to salaries. Given current inflation this may mean that stipends do not keep pace with inflation in the short term, however we also need to balance affordability of any change.
25. The contribution rate into the Clergy Pension Scheme remains unchanged until at least the next valuation date. Following comments in response to last year's budget and the consultation, we are engaging with national church bodies on the costs and prospects for pensions in good time for the next triennial valuation.
26. An additional cost in the 2018 budget is the government's apprenticeship levy. This applies to large payrolls including that for Church of England ministers. It is equivalent to an additional 0.5% on National Insurance. The national church is exploring ways in which the Church might benefit from the levy to support curacies.

27. Property maintenance and repair budgets have been increased to keep track with inflation and regulatory costs. The increase in 2018 is in part funded from efficiencies on insurance costs, and further efficiencies are under review.

Table 1: Direct Costs of Ministries 2018-20

2017 Stipendiary		Stipend Minister	Self- Supporting	Reader / LLM	House for Duty	2019 stip	2020 stip
25,730	Stipend	26,220				26,744	27,279
373	Related Costs	383				389	395
2,058	NI & Levy	2,177				2,221	2,265
9,334	Pension	9,442				9,631	9,823
2,078	Council Tax	2,162			2,162	2,205	2,249
506	Water rates	513			513	523	534
383	Insurance	388			388	396	404
4,990	Prop costs	5,198			5,198	5,328	5,461
1,191	Prop mgmnt	1,222			1,222	1,240	1,259
698	Net vac costs	686			686	696	707
27	DBS Checks	28	28	28	28	28	29
497	Training	508	508	274	508	513	518
47,865	Total	48,927	536	302	10,705	49,915	50,923

284.4	Number	280	79	170	25	276	272
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NB where totals do not sum this is simply due to rounding. "Stipendiary Minister" excludes stipendiary title curates.

28. The increase in costs per stipendiary is 2.2% compared to 2017 driven largely by stipend, apprenticeship levy and property costs. However, with the reduction in establishment numbers, the total direct costs of ministry ('A' in the Share scheme) increases by just 0.69% in 2018 compared to 2017.
29. The indicative budgets for 2019 and 2020 follow a similar pattern with increases in the cost per stipendiary of 2% in each year. With the small reduction in posts, this turns into a net increase in deployed ministry costs of 0.6% per annum, which in cash terms is about £85,000.

8. FUTURE LAY AND ORDAINED MINISTRY

30. Training of future clergy and lay ministers is the part of the budget that has consistently grown in recent years and there has been a welcome increase in vocations to ordained and lay ministry. This gives rise to increases in costs of pre-ordination training (which are shared across the Church of England) and the costs of curacies. Pre-ordination training costs are set to rise by 2.6% in 2018.
31. The budget consultation asked about the extent to which we should budget to take on additional ordinands as curates. There was a strong view that all self-supporting candidates should be taken into curacy, and this is our policy. In respect of stipendiary curacies, around a third of respondents felt we should definitely retain all ordinands; another third were more guarded but still positive. Just over a fifth disagreed, generally in order to be 'fair' to other parts of the Church of England.

32. In 2018 we have an exceptional number of ordinands completing their training. The budget proposes offering 18 stipendiary title posts. This is the highest level in recent memory but still means some ordinands will be released for title posts in other dioceses. We are therefore budgeting for an average of 53 FTE stipendiary and 60 SSM curates in 2018.
33. More stipendiary curates in recent years has meant that more houses are required. We have in place a £10m loan facility to purchase curates houses. Compared to the alternative strategy of renting houses, this not only provides better security of tenure for our curates but also delivers significant cost savings estimated at over £70k per annum compared to the equivalent rental cost.
34. Lay training, which is considerably cheaper both overall and per person than ordination training, shows an increase of 4.4% in response to positive trends in vocations to lay ministry.
35. Taking the above together, total future ordained and lay ministry and training costs ('BI') increase by 3.3%. Future ministry represents nearly 20% of total expenditure.
36. Beyond 2018, the indicative budget reverts back to an intake of 16 each year, which reflects what we can see of current trends. This still means a slight rise in the *overall* number of curates in training due to the 2018 bulge and growth in self-supporting curacies. The national church anticipates the costs of pre-ordination training (which are met by dioceses collectively) to rise at around 10% a year if the hoped for numbers come forward nationally. Of course, many of those to be ordained in 2020 may not yet be known to the vocations team and we hope to see more coming forward. Future ministry is expensive but is an investment in the future. Generous giving into the Mutual Support Fund above current levels could enable the diocese to offer more curacies.

9. OTHER COSTS

37. In 2018 we are budgeting for an additional member of staff in Safeguarding to support the growing case management and training requirements. This cost is partly offset by a reduction in consultancy and savings elsewhere in the budget.
38. Otherwise, there are no proposed increases in non-parochial staffing.
39. The defined benefit pension scheme for employees has been closed to new members since 2006 and only a dozen serving employees remain in this scheme. The results of the latest valuation are being worked through and are not yet finalised. While these imply an increase in costs, we are currently exploring ways to mitigate this including paying down the deficit from other funds. Therefore the budget has been held constant with *no additional costs for parishes* towards increased pension costs, and there may be some savings to release after 2018.
40. The benefit of c£54k of efficiency savings made in the last year continue to follow through into the 2018 budget and beyond. Further options for efficiencies are being developed. We continue to freeze many budget lines in cash terms despite the recent increase in inflation. Nonetheless there are some areas where costs are

necessarily increasing, for example certain legal and professional costs, some of which are set by statutory instrument.

41. Within the category of 'other expenditure' ('B3'), there is a 4.1% increase in the required contribution to the national church in 2018. This reflects the need to resource the Clergy Housing Retirement Scheme which is increasing at a rate of 5% per annum, and further costs of the Archbishops' Council. The increase is partly offset by other savings and additional income.
42. Overall, services to parishes ('B2') increase by 2.77% in 2018. Other costs ('B3') increase by 1.35% which entirely relates to the national church contribution.²
43. The 2018 budget therefore proposes gross expenditure of £21,861,335. Current and future ministry make up 83% of total expenditure.

Table 2: Expenditure Summary

2017			2018	% Total Spend	% Change	2019	2020
13,964,282	A	Current Ministry Costs	14,060,869	64.3%	0.69%	14,145,274	14,227,427
3,968,237		B1: Future Ministry & Curates	4,096,927	18.7%	3.24%	4,337,740	4,532,127
2,133,008	B	B2: Services to Parishes	2,192,181	10.0%	2.77%	2,236,151	2,275,461
1,491,219		B3: Other costs	1,511,358	6.9%	1.35%	1,542,746	1,574,465
21,556,746	C	Gross expenditure	21,861,335		1.41%	22,261,910	22,609,479

10. INCOME & THE MUTUAL SUPPORT FUND

44. As described above the main challenge for income is the reduction in national church support, which reduces at a rate of roughly £100,000 each successive year.
45. This is a net change resulting from a 3% increase in the funding to support deprived / low income communities ('DI' in the Share scheme), together with a 6% reduction in national transition support. This pattern will continue through to 2026 when support for low income communities will be approximately £1m per annum and transitional support will be nil.
46. Under the new share scheme, all the national funding goes into the Mutual Support Fund, and the 'DI' support is allocated directly to qualifying parishes. There are three other sources of income for the Mutual Support Fund.
47. First, there is the income received by the Chelmsford Diocesan Board of Finance (CDBF) for statutory fees (weddings/ funerals). Over half of the total flows back to parishes in the fee credit or direct payments to non-stipendiary officiants.
48. Second, the Mutual Support Fund receives the financial benefit of the vacancy rate. This shows a slight increase in 2018 (and 2019-20) reflecting the slight increase in the cost per stipendiary and small rise in the vacancy rate.

² Note: The 2017 budget has been restated to reallocate £10k of income from B3 to the Mutual Support Fund. This relates to income from Retained Fees which is better recorded with other Fees income in the MSF.

49. Third, the most significant source of income after that from the national church is the CDBF's income from investments. The CDBF Trustees have discussed a goal of increasing the level of investment capital – and therefore investment income flowing back to parishes – over the next decade. There has already been some success in this area and the budgeted investment income has been increased by 9% to £1.27m in 2018. This is an aggressive target but the Trustees feel it is deliverable. We are looking for further increases of 2.5% in each of 2019 and 2020.
50. Responses to the budget consultation last year showed some nervousness about the decision not to make any provision against Share shortfall in the 2017 budget, with over 80% of respondents feeling there should be at least a small provision, but no consensus on how much. Shortfall has improved for three consecutive years but remains unacceptably high (£804,000 in 2016). After careful consideration it is proposed to apply £100,000 of the increased investment income to create a small provision against shortfall without materially reducing the overall level of the Mutual Support Fund or placing an additional burden on parishes.
51. Any shortfall in excess of this provision, which cannot be offset by savings during the year, will impact directly on diocesan reserves. At the end of 2016 the CDBF's free cash reserves were equivalent to 15 days' expenditure. (The reserves policy is to hold at least 10 days' expenditure in reserves.) If shortfall were to persist the Trustees would need to consider selling investments to maintain the reserves position. This would have lasting negative impact on the investment income into the Mutual Support Fund. It is essential therefore that resolving shortfall remains a priority for the whole diocese.
52. Taken together the income into the Mutual Support Fund stands at £5,002,659 in 2018. This is small decrease of 0.48% arising from the reduction in national funding.

Table 3: Mutual Support Fund Income

2017	£	2018	2019	2020
689,908	National Church deprivation funding	712,042	734,751	825,000
1,850,092	National Church transition funding	1,733,260	1,617,666	1,400,000
1,159,376	Investment income	1,267,094	1,298,414	1,330,674
490,000	Fee income (net of credits to parishes)	485,000	489,075	493,179
837,520	Savings from vacant posts	905,262	923,422	942,068
0	Retention (shortfall contingency)	-100,000	-100,000	-100,000
5,026,896	Total	5,002,659	4,963,328	4,890,921

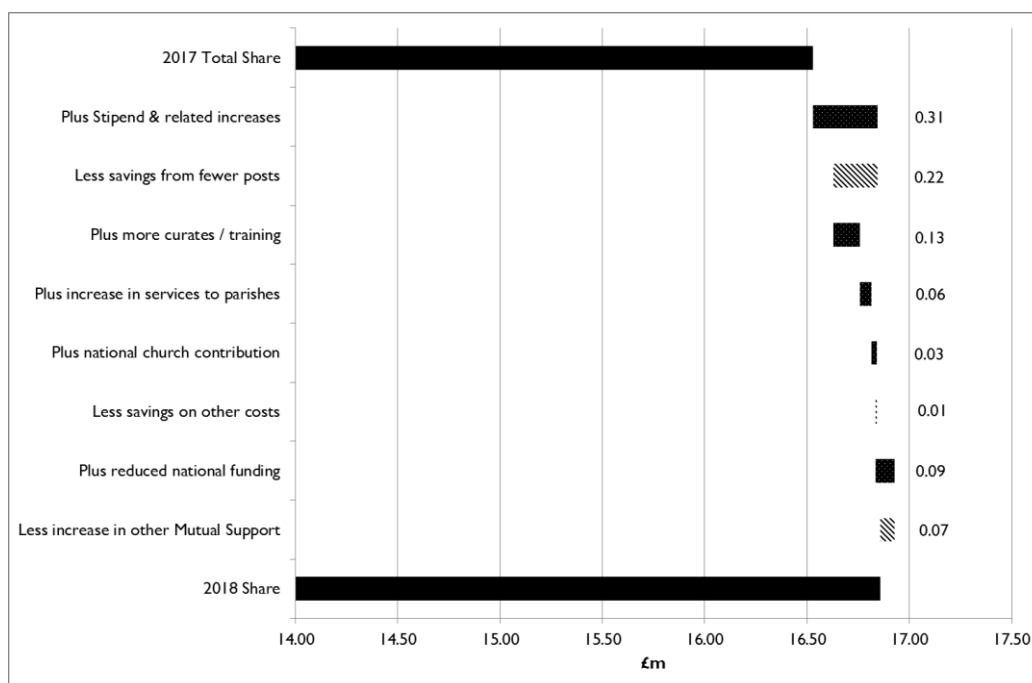
53. It should be noted that this is the input into the Mutual Support Fund from diocesan sources. This is *before* offers into the Mutual Support Fund from Mission and Ministry Units. For 2017 there is around £1.26 million in Mutual Support *between* parishes in the diocese.
54. The main source of income remains the generosity of individuals and parishes through Share. Again we take our cue from the budget consultation, where just under half of respondents felt a range of 1-2% was sensible as a longer term trajectory, and a further 30% felt that the stipend change should be the reference point. We are very mindful that a small number of respondents felt that no increase ought to be contemplated.

55. Total income for 2018 is budgeted at £21,861,335 representing a balanced budget.

II. SUMMARY & SHARE PROPOSAL

56. With expenditure of £21,861,335 and a mutual support fund of £5,002,659, the Share assessment is £16,858,676 which is an increase of just under 2% on 2017. 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%.

57. The increase in total Share in cash terms is just under £329,000. Almost £100,000 relates to direct ministry costs ('A') and just over £129,000 relates to increased expenditure on future ministry ('BI'). The chart below summarises the key movements in the budget, starting with the total Share for 2017, adding increased costs and subtracting savings as described above to deliver the 2018 total Share.



58. We are proposing that for 2018, a **maximum increase in gross share** (before fee credits and discounts) **for benefices of 2.5%** except where otherwise agreed (due to special arrangement or increased posts). Agreeing a cap which is slightly higher than the percentage change in the total Share supports continued transition to the new share arrangements.

59. The new Share Scheme will be operating with a small number of Mission and Ministry Units for 2018. Under the new scheme the Share becomes a conversation rather than a calculation. Nevertheless we recommend that Mission and Ministry Units are mindful of the overall position of the budget in making their offers and requests to and from the Mutual Support Fund.