

DIOCESAN SYNOD

Title: **BUDGET 2019-21**

Sponsor: **CHAIR, THE CHELMSFORD DIOCESAN BOARD OF FINANCE**

Date: **16 JUNE 2018**

I. INTRODUCTION

1. This report introduces the proposed diocesan general fund budget for 2019 for Synod's approval. Continuing our practice of a three-year rolling budget, the indicative budgets for 2020 and 2021 are also presented for noting.
2. The budget report and consultation exercise in 2016 sought views about longer term planning assumptions and the feedback continues to shape our budget.¹ In addition, some changes in this budget reflect specific suggestions raised on previous budget reports.
3. The budget continues to be set in the context of the Church of England 'Renewal and Reform' programme, the implications of which include investment in future ministry and a substantial reduction in the support this diocese receives from the national church.
4. In last year's paper, the 2019 and 2020 budgets included a line for 'opportunities to be found'. In addition to the on-going programme of efficiencies, the Trustees have taken some difficult decisions in the last year, notably relating to the pension arrangements for diocesan employees and ending the diocesan newspaper *the month*. Other savings and efficiencies also help. The 2019 and 2020 budgets are therefore notionally balanced, provided that Share shortfall is contained.

2. HEADLINES

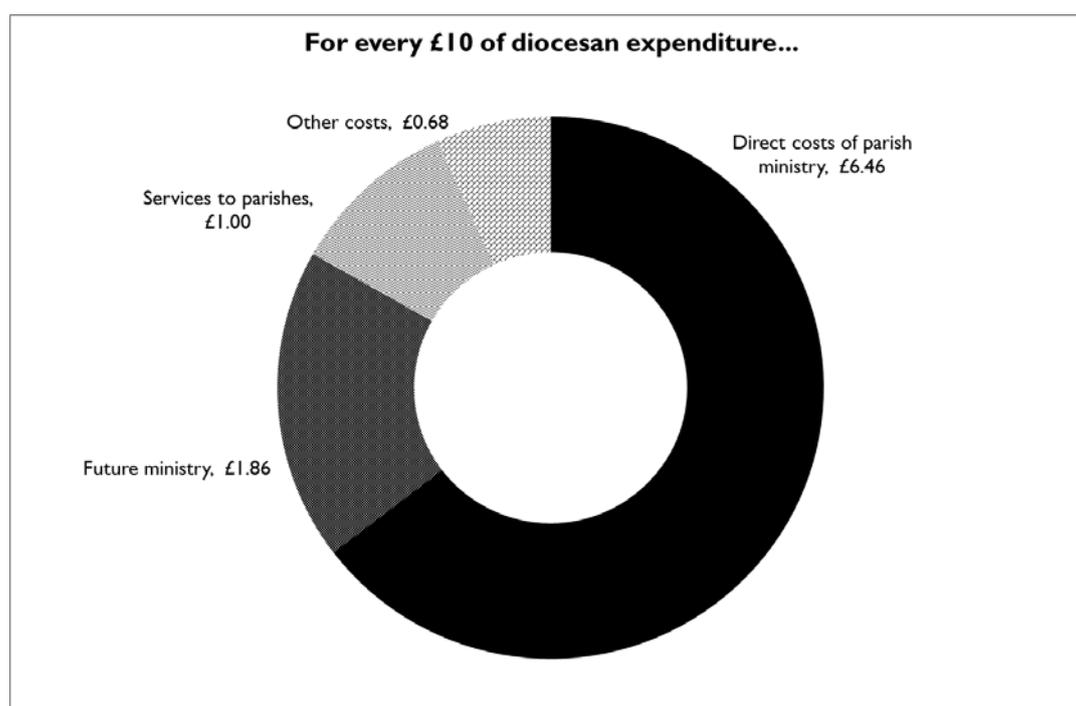
- **Stipends** increase by 2% per annum
- Budget for 282 full time equivalent (FTE) parochial stipendiary **posts** in 2019
 - Slight increase on 2018 budget but lower than 2017
 - Stipendiary posts assumed to fall by only 4 FTE in each of 2019 and 2020
- Continued investment in **future ministry**, particularly through ordination training. The intake of new stipendiary curates for 2019 is 14, with 16 each year thereafter.
- The budget benefits from **savings** outlined above plus the on-going effects of efficiencies achieved in earlier years, which help to offset cost pressures
- **National funding** continues to reduce by £93k (net) in 2019 with larger reductions each year thereafter to 2026
- **Balanced budget** for 2019 and 2020. Further opportunities are to be found for 2021 to ensure total share grows by no more than 2%
- Gross benefice **share** increase (before fee credits) capped at 2.0%, except where there is agreement relating to an increase in the ministry establishment.

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.

The next section summarises the 2019 budget. The appendix gives more detail, including the budget assumptions for 2020 and 2021.

3. BUDGET IN SUMMARY

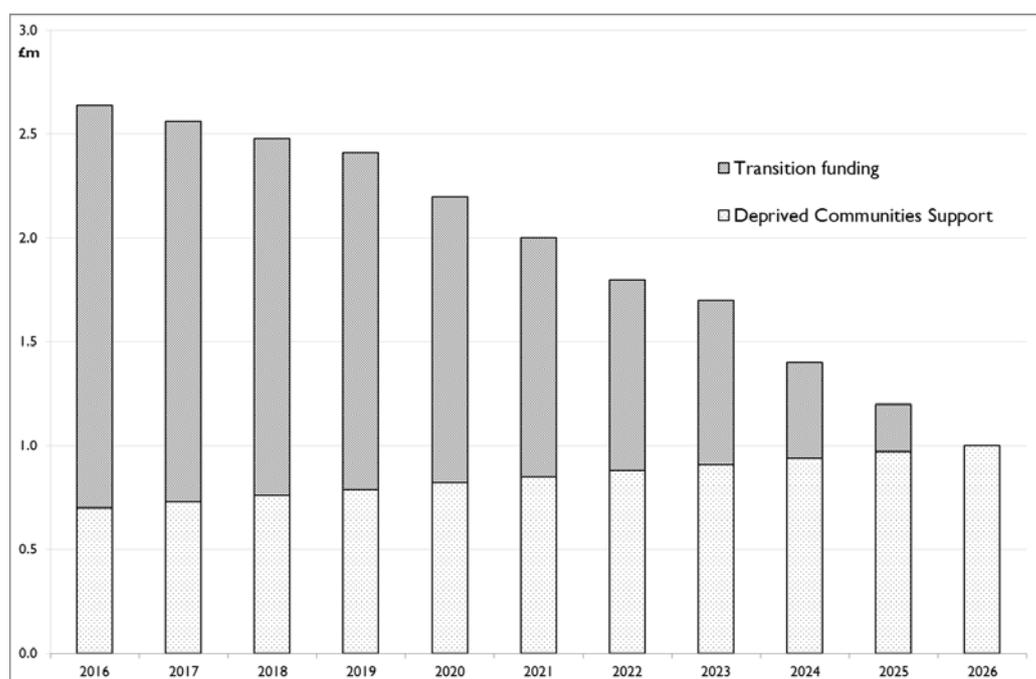
5. In the 2016 budget consultation 86% of respondents agreed with the principle that the budget should continue to *follow* the ministry plan rather than *determine* it. This remains the guiding principle for the budget.
6. The overall budget for 2019 is balanced with income and expenditure of £22,271,394. The chart below shows how each £10 of expenditure breaks down:



7. Current and future ministry represents 83% of total expenditure, at a cost of £18.5 million. The total requested through the Share scheme is £17.1 million. It remains the case therefore that our general fund income is insufficient to cover the direct ministry costs and ministers in training. The balance comes from other income and our Mutual Support Fund.
8. Stipends will increase by 2% in April 2019. The direct cost per stipendiary minister increases by just 1.6% with increased costs for Council Tax, Water and Insurance offset by savings on housing management. The cost of a stipendiary together with equivalent figures for other types of minister is set out in the appendix.
9. Despite the welcome increase in vocations to ordained ministry nationally and some evidence that clergy are retiring later, it remains the case that the national supply of stipendiary clergy will continue to decline due to retirements outstripping those completing curacy. This means we are planning on the basis that stipendiary numbers will fall, at least to 2025. *Re-imagining Ministry* calls for planning on the basis of the missionally-appropriate minimum sustainable numbers. In some cases that means that the posts which are not to be refilled with a stipendiary may not fall vacant for some time. The

budget for 2019 is based on 282 FTE stipendiary posts. This is a partial reversal of the reduction in 2018's budget which reflects both current reality and planned changes.

10. Overall total current deployed ministry costs excluding curates ("A" in the Share scheme) increase by 2.25% in 2019.
11. Future ministry costs ("B1" in the Share scheme) cover ordinands and lay ministers in training, plus the costs of curacies. Pre-ordination training costs continue to increase. In 2018 we budgeted for a record number of stipendiary curates, reflecting a 'bulge' in candidates completing training. Numbers are slightly lower in 2019, partly due to that bulge effect. So our budget allows for 14 stipendiary curates in 2019, growing to 16 for 2020 and beyond. Increases are also being seen in lay and self-supporting vocations. The budget also allows for continued investment in young vocations through the diocesan Discipleship Year scheme.
12. Overall costs for future ministry ("B1") increase by just over 1% to £4,138,765.
13. Services to Mission and Ministry Units and Parishes ("B2") show a net increase of 2.4%. Stipend related costs and additional funding for the Youth strategy are partly contained by other savings, and there is a reduction of one adviser post.
14. The other expenditure heading ("B3") shows a small decrease on 2017. The 4% increase (£26k) in our contribution to the National Church is entirely absorbed by diocesan savings and efficiencies.
15. 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 2019 is £93,000.



16. We are also seeing a gradual reduction in the income from statutory fees. This appears to correlate with a decline in the numbers of church weddings. The overall total in the

Mutual Support Fund (“D” in the Share scheme) remains above £5m however, with the reductions in income offset by anticipated vacancy savings and investment performance.

17. The main source of income remains the generosity of individuals and parishes through Share. As part of continuing transition to the new Share scheme, we propose individual benefice gross Shares (before credits) are capped at 2%, consistent with the stipend increase. The exception to the cap would be situations, if any, where there is a material increase in the local ministry establishment (e.g. more stipendiary posts) or there is some other agreement for local reasons.
18. One of the most difficult questions is how much provision to make against shortfall on Share. Unfortunately share shortfall in 2017 increased to over £900k, though over half of this arises from just 20 parishes. The Trustees have carefully considered the question of how much provision against shortfall should be made in the budget. On the one hand there is an argument for making greater provision. However, this would effectively mean asking parishes and Mission & Ministry Units to contribute to others’ shortfall. The Trustees felt that they could not do this. Therefore the provision against shortfall remains at £100k (retained from investment income) with any further shortfall directly affecting diocesan reserves. Failure to address and improve shortfall in the longer term will lead to reduced investment income which is a loss to everyone.
19. Total income for 2019 including the Share is budgeted at £22,271,394 representing a balanced budget, subject to the above comments about Share shortfall. The budget is set out on the following page.

4. BUDGET BEYOND 2019

20. The assumptions behind the indicative budgets for 2020 and 2021 are described more fully in the appendix. They are particularly affected by national funding reducing and investment in future ministry. Further opportunities need to be found to keep Share increases at or below 2% in 2021 and beyond, and there are further areas under active consideration.

5. MOTION

That this Synod

- a) *approve the Diocesan Budget for 2019 and the total Share of £17,103,968*
- b) *note the outline plans for 2020 and 2021*
- c) *approve the apportionment of the total Share according to the approved Share scheme; and*
- d) *agree a cap of 2% in increases in gross share (before credits) for 2019 compared with 2018, for benefices operating under transitional Benefice Share (except where specific agreements are made or there is a material increase in ministry establishment).’*

Budget for 2019

Budget 2018						Budget 2019	% total	Increase
<u>A Direct Costs of Ministry</u>								
	Parochial Staff	ministers	Inc status	SSM	Lay	House for Duty		
280	No. of People (Stipendiary)	282.0	282.0					
	No. of People (Other)			79.0	170.0	25.0		
26,220	Stipend		26,750					
383	Related Costs		389					
2,177	National Insurance		2,221					
9,442	Pension		9,640					
2,162	Council Tax		2,225			2,225		
513	Water rates		530			530		
388	Insurance		399			399		
5,198	Clergy House repairs and improvements		5,365			5,365		
1,222	Housing management		1,044			1,044		
686	Vacancy Costs (net of rent)		596			596		
28	DBS Checks		30	30	30	30		
	In service training - LLM	0.5			287			
508	In service training - clergy	1.5	503	503		503		
							14,109,584	
48,927	Total for Stipendiaries		49,694					
	Total for House for Duty					10,693	267,320	
	Total for SSM & Lay			533	317			
14,060,869	Direct Costs of Ministry Total					14,376,904	64.6%	2.25%
<u>B1 Future Ministry Training & Curates</u>								
2,432,068	Direct Costs of Stipendiary Title Posts	53.0				2,475,031		
550,000	Housing & Appointment Costs of Title Posts					543,080		
1,012,440	Pre-Ordination (inc DDO & St Mellitus)	2.0				1,013,689		
32,113	Direct Costs of SSM Title Posts					31,975		
70,306	Lay Training & Discipleship	0.5				74,989		
4,096,927	Future Ministry Training & Curates Total					4,138,765	18.6%	1.02%
<u>B2 Services to Mission & Ministry Units</u>								
			Barking	Bradwell	Colchester			
478,304	Area Teams Staff & Expenses	9.25	3.25	3.0	3.0	490,541		
713,966	Archdeacons (plus Area Bishops' houses)	7.0	169,033	163,072	152,800	729,070		
73,000	Area Deans & Other Parish Support					73,000		
174,570	Parish Legal & Church Building Services					186,207		
119,064	Education (net cost)					122,995		
61,900	Children & Youth Work					69,223		
82,221	DAC					82,895		
61,950	Parish Finance					65,811		
219,664	Safeguarding Services to Parishes					234,888		
171,324	Diocesan & Bishop's Advisers	2.0				151,736		
36,218	Chaplaincy & Partnerships					38,430		
2,192,181	Services to Mission & Ministry Units Total					2,244,796	10.1%	2.40%
<u>B3 Other Expenditure</u>								
656,654	Diocesan Services	1.0				670,826		
192,206	Communications incl The Month					164,143		
56,650	Finance & Governance costs					56,675		
664,201	National Church					690,767		
50,000	Contingency					50,000		
(108,353)	Trading & Income from other sources					(121,481)		
1,511,358	Other Expenditure Total					1,510,930	6.8%	-0.03%
358.25	Stipendiary Numbers Total	358.75					100.0%	
21,861,335	Gross Share					22,271,394		1.88%
<u>D Mutual Support Fund</u>								
(1,733,260)	National Church Support Transition					(1,633,260)		
(712,042)	National Church Support Deprived Communities					(719,042)		
(1,267,095)	Diocesan Support from Investment income					(1,371,950)		
100,000	Share Shortfall Provision					100,000		
(1,110,000)	Income from Statutory Fees					(1,055,000)		
155,000	less Parochial Fees Paid					155,000		
470,000	less Fee Credits to Parishes					450,000		
(905,262)	Vacant posts					(1,093,174)		
(5,002,659)	Mutual Support Fund Total					(5,167,426)		3.29%
16,858,676	Share Apportionment net of MSF					17,103,968		1.45%

Budget for 2019-21

Budget 2018		Budget 2019	Indicative Budget 2020	Indicative Budget 2021
<u>A Direct Costs of Ministry</u>				
280.0	Parochial Staff No. of People (Stipendiary Posts)	Inc status 282.0	Inc status 278.0	Inc status 274.0
26,220	Stipend	26,750	27,285	27,831
383	Related Costs	389	395	401
2,177	National Insurance & Levy	2,221	2,266	2,311
9,442	Pension	9,640	9,833	10,029
2,162	Council Tax	2,225	2,270	2,315
513	Water rates	530	541	552
388	Insurance	399	407	415
5,198	Clergy House repairs and improvements	5,365	5,500	5,637
1,222	Housing management	1,044	1,060	1,076
686	Vacancy Costs (net of rent)	596	605	614
28	DBS Checks	30	30	31
508	In service training - clergy	503	508	513
48,927	Total cost per Stipendiary	49,694	50,699	51,725
		1.57%	2.02%	2.02%
14,060,869	Direct Costs of Ministry Total	14,376,904	14,476,190	14,573,608
			0.69%	0.67%
<u>B1 Future Ministry Training & Curates</u>				
2,432,068	Direct Costs of Stipendiary Title Posts	2,475,032	2,525,572	2,625,777
550,000	Housing & Appointment Costs of Title Posts	543,080	552,602	572,334
1,012,440	Pre-Ordination (inc DDO & St Mellitus)	1,013,689	1,078,116	1,148,341
32,113	Direct Costs of SSM Title Posts	31,975	35,338	38,817
70,306	Lay Training & Discipleship	74,989	76,832	78,728
4,096,927	Future Ministry Training & Curates Total	4,138,765	4,268,460	4,463,997
		1.02%	3.13%	4.58%
<u>B2 Services to Mission & Ministry Units</u>				
478,304	Area Teams Staff & Expenses	490,541	499,332	508,298
713,966	Archdeacons (plus Area Bishops' houses)	729,070	744,379	757,544
73,000	Area Deans & Other Parish Support	73,000	73,460	73,929
174,570	Parish Legal & Church Building Services	186,207	195,937	205,821
119,064	Education (net cost)	122,995	124,659	126,274
61,900	Children & Youth Work	69,223	70,268	71,334
82,221	DAC	82,895	84,265	85,661
61,950	Parish Finance	65,811	67,078	68,370
219,664	Safeguarding Services to Parishes	234,888	238,951	243,090
171,324	Diocesan & Bishop's Advisers	151,736	154,211	156,734
36,218	Chaplaincy & Partnerships	38,430	36,459	36,794
2,192,181	Services to Mission & Ministry Units Total	2,244,796	2,288,999	2,333,850
		2.40%	1.97%	1.96%
<u>B3 Other Expenditure</u>				
656,654	Diocesan Services	670,826	683,843	697,173
192,206	Communications incl The Month	164,143	166,468	168,836
56,650	Finance & Governance costs	56,675	57,211	57,757
664,201	National Church	690,767	710,212	730,328
50,000	Contingency	50,000	50,000	50,000
(108,353)	Trading & Income from other sources	(121,481)	(123,622)	(125,322)
1,511,358	Other Expenditure Total	1,510,930	1,544,111	1,578,771
		-0.03%	2.20%	2.24%
21,861,335	Gross Share	22,271,394	22,577,760	22,950,227
			1.38%	1.65%
<u>D Mutual Support Fund</u>				
(1,733,260)	National Church Support Transition	(1,617,666)	(1,468,206)	(1,295,503)
(712,042)	National Church Support Deprived Communities	(734,636)	(756,794)	(779,497)
(1,267,095)	Diocesan Support from Investment income	(1,371,950)	(1,410,632)	(1,449,192)
100,000	Share Shortfall Provision	100,000	100,000	100,000
(1,110,000)	Income from Statutory Fees	(1,055,000)	(1,020,000)	(1,000,000)
155,000	less Parochial Fees Paid	155,000	160,000	165,000
470,000	less Fee Credits to Parishes	450,000	430,000	417,500
(905,262)	Vacant posts	(1,093,174)	(1,166,079)	(1,189,673)
(5,002,659)	Mutual Support Fund Total	(5,167,426)	(5,131,712)	(5,031,365)
		3.29%	-0.69%	-1.96%
	Further Opportunities to be found		(0)	(123,893)
16,858,676	Share Apportionment net of MSF	17,103,968	17,446,048	17,794,969
		1.45%	2.00%	2.00%

APPENDIX

The budget in more detail, 2019-21

6. STIPENDIARY NUMBERS AND MINISTRY COSTS

21. With the average age of our stipendiary clergy remaining over 60, we anticipate a tsunami of retirements in the next few years. Unfortunately the rate of retirements will outstrip the number of new stipendiary clergy completing curacy, which means there is a net reduction in the supply of clergy – this is a national phenomenon. In *Re-Imagining Ministry* deaneries are encouraged to develop their proposals for Mission and Ministry Units based on a *minimum sustainable number* of stipendiary posts which we would hope to be able to fill despite the national reduction in numbers. This implies that the number of stipendiary posts should reduce each year to 2025 by between 3 and 8 posts a year. Our planning assumption, 4 per annum, is cautious and recognises that the posts not forming part of the minimum sustainable number are not necessarily those which fall vacant in the short term. The 2019 number is actually slightly *higher* than the budgeted number for 2018 which reflects current reality and the impact of pastoral reorganisation. This is a good illustration of what we mean by saying the budget follows the ministry plan.
22. It should be noted that if establishment posts reduce more slowly than the national supply we are likely to see both more and longer vacancies in the short term. While current experience is a vacancy rate of around 12% we are assuming 9-10% for the budget.
23. 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.
24. Stipend levels are set with reference to the annually published national benchmarks. The 2016 consultation showed almost 60% of respondents supporting 1-2% as a sensible assumption for future stipends. Forecast average earnings (40%), forecast inflation (31%) or a combination (13%) were felt to be the important drivers. 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.
25. The next actuarial valuation of the Clergy Pension Scheme is due at 31 December 2018. We are assuming no change in the contribution rate, and in any case, the process is unlikely to lead to any change before April 2020. Our Chief Executive has been part of a working group preparing for this valuation.
26. Property maintenance and repair budgets are increased to keep track with inflation and regulatory costs. Some efficiencies have been achieved in housing management costs. It should be noted that the figures quoted are averages – actual property costs can vary considerably between properties. Our average costs are higher than some social housing providers, but then few social housing providers are maintaining substantial detached 4 bedroom houses, which make up the majority of

the estate. When last benchmarked, the average costs were shown to be consistent with or better than with the experience of other dioceses.

Table 1: Direct Costs of Ministries 2019-21

2018 Stipendiary		Stipend Minister	Self- Supporting	Reader / LLM	House for Duty	2020 stip	2021 stip
26,220	Stipend	26,750				27,285	27,831
383	Related Costs	389				395	401
2,177	NI & Levy	2,221				2,266	2,311
9,442	Pension	9,640				9,833	10,029
2,162	Council Tax	2,225			2,225	2,270	2,315
513	Water rates	530			530	541	552
388	Insurance	399			399	407	415
5,198	Prop costs	5,365			5,365	5,500	5,637
1,222	Prop mgmnt	1,044			1,044	1,060	1,076
686	Net vac costs	596			596	605	614
28	DBS Checks	30	30	30	30	30	31
508	Training	503	503	503	503	508	513
48,927	Total	49,694	533	317	10,693	50,699	51,725

280	Number	282	79	170	25	278	274
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NB where totals do not sum this is simply due to rounding. "Stipendiary Minister" excludes stipendiary title curates. Stipend figures shown are the average for the year being 3 months at the prior year rate and 9 months at the increased rate.

27. As noted above the increase in costs per stipendiary is just 1.6% compared to 2018, and just over 2% thereafter. The total direct costs of ministry ('A' in the Share scheme) increases by 2.25% in 2019 compared to 2018. The increase is lower in 2020 and 2021 due to the reduction in stipendiary numbers.

7. FUTURE LAY AND ORDAINED MINISTRY

28. 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. The national church anticipates pre-ordination costs could increase at around 10% per annum if the hoped-for numbers come forward nationally; our assumptions for 2019 are more modest.
29. Due to the pattern of two and three year training courses, it happens that there was a bulge in curate numbers in 2018 followed by a dip in 2019. Accordingly, the budget for 2019 assumes an intake of 14 compared to 18 in 2018, and therefore the budgeted average number in curacy remains 53 FTE stipendiary and 60 SSM curates in 2019. The stipendiary intake is assumed to increase back to 16 in 2020.
30. 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 now estimated at over £100k per annum compared to the equivalent rental cost.

31. We are reaffirming our commitment to nurturing young vocations. In recent years we have piloted both the Encounter residential scheme and the Discipleship Year scheme, a lower cost model based in host churches. The budget includes funding to continue to support the Discipleship Year, with savings from closing the Encounter scheme put towards other ordination training costs
32. Lay training, which is considerably cheaper both overall and per person than ordination training, shows an increase of 6.7% in response to positive trends in vocations to lay ministry.
33. Taking the above together, total future ordained and lay ministry and training costs ('B1') increase by 1%. Future ministry represents nearly 20% of total expenditure. Though expensive, it is an investment in the future. Generous giving into the Mutual Support Fund above current levels could enable the diocese to offer more curacies in future years.

8. OTHER COSTS

34. Services to Mission & Ministry Units and Parishes ("B3") and Other Services ("B4") show relatively little net change, with increases offset by savings and efficiencies both made in previous years and new. The Trustees have taken some difficult decisions in relation to pensions for employed staff which, together with paying off the residual deficit on the closed defined benefit scheme, has generated considerable annual cost savings. Further savings have been derived from the decision to end *the month* newspaper, with some of this reinvested into digital communications; some retained to permit future printed publications (mindful that there remains a demand for this approach); and the rest released into the budget.
35. All these savings have allowed the general fund to incorporate the modest membership fee for the Parish Giving Scheme. PGS enables direct debit giving within parishes. Where it has been taken up it has led to significant increases in giving. There is significant scope to do more with this excellent scheme.
36. The savings have also enabled an increase in the Youth budget to provide funds to implement the strategy agreed by Diocesan Synod. There are no significant increases in non-parochial staffing other than a small increase in the hours provided for Archdeacons' secretarial support, offset by other savings. There is a reduction of one adviser post.
37. Most non-staff budget lines continue to be frozen in cash terms despite inflationary pressures. Nonetheless there are some areas where costs are necessarily increasing, for example certain legal and professional costs are set by statutory instrument. There are also increases in the architects' fees for the Quinquennial Inspection of church buildings. This is a cost which is met through the diocesan budget on behalf of parishes. Consideration has been given to devolving these costs back to parishes, but there is evidence that the diocese acting together can achieve a better rate per building than individual PCCs acting alone.
38. The category of 'other expenditure' ('B3') sees no net increase in cost in 2019 due to various savings covering the cost of increased payments to the national church.

We are assuming a 4% increase in the required contribution to the national church. This relates to the budget set by the General Synod covering costs of the Archbishops' Council and funding clergy retirement housing. This budget line is also the major driver of increases in this category in future years.

39. Overall, services to parishes ('B2') increase by 2.40% in 2019. Other costs ('B3') decrease by 0.03% and the net effect across the two is an increase of just 1.4%.
40. The 2019 budget therefore proposes gross expenditure of £22,271,394. This is less than the total expenditure anticipated in the outline 2019 budget published last year. Current and future ministry make up over 83% of total expenditure.

Table 2: Expenditure Summary

2018			2019	% Total Spend	% Change	2020	2021
14,060,869	A	Current Ministry Costs	14,376,904	64.6%	2.25%	14,473,190	14,573,608
4,096,927	B	B1: Future Ministry & Curates	4,138,765	18.6%	1.02%	4,268,460	4,463,997
2,192,181		B2: Services to Parishes	2,244,796	10.1%	2.40%	2,288,999	2,233,850
1,511,358		B3: Other costs	1,510,930	6.8%	-0.03%	1,544,111	1,578,771
21,861,335	C	Gross expenditure	22,271,394		1.88%	22,577,760	22,950,227

9. INCOME & THE MUTUAL SUPPORT FUND

41. As described above the main challenge for income is the reduction in national church support. As described in previous reports the national funding model changed in 2017. In the past, dioceses received support based on both deprivation and to compensate for low attendance per head of population – Chelmsford particularly benefitted from this latter factor. The new arrangements agreed by General Synod only provide support for low income communities (a very specific factor within the overall deprivation calculation). This funding is expected to increase over time. It is credited directly to qualifying parishes ("D1" in the Share scheme).
42. Because the low income community support is less than half of the support we used to receive, there is a ten-year transition period to 2026. In 2019 the reduction is £93k. We are anticipating larger reductions in each of 2020 (£127k) and 2021 (£150k) and beyond to 2026. (NB the precise figures beyond 2019 are dependent on the General Synod allocation of funds for the new triennium.) In each year there is an increase in the hypothecated support for low income communities and the a greater reduction in transition funding. By 2026 support for low income communities will be approximately £1m per annum and transitional support nil.
43. Under the new Share scheme, all the national funding goes into the Mutual Support Fund. There are three other sources of income for the Mutual Support Fund.
44. 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. We are seeing a gradual reduction in fee income which correlates with a reduction in the

number of recorded weddings particularly. The fall is most noticeable on net income due to growth in the fees paid to self-supporting ministers.

45. Second, the Mutual Support Fund receives the financial benefit of the vacancy rate. This shows an increase because the cost per stipendiary is increasing.
46. Third, the most significant source of income after that from the national church is the CDBF's income from investments. The CDBF Trustees have agreed a goal of increasing the level of investment capital – and therefore investment income flowing back to parishes – over the next decade. A good start has been made in 2017 with the sale of two development sites for an aggregate of £2.7m which is being invested. In view of this target, the Trustees have set some aggressive budget targets for increasing investment income.²
47. The biggest threat to our ability to increase investment income for the benefit of all comes from the risk of Share shortfall depleting reserves and investment capital. Following three successive years of improvement, overall share shortfall worsened in 2017 to £920k. However, this headline masks considerable improvement made in many parishes. Over half the shortfall is attributable to just 20 parishes. The 2017 shortfall has had a devastating effect on diocesan free reserves. Our reserves policy is to hold just 10 days' worth of expenditure as free reserves and even this was not achieved in 2017. Much more work needs to be done to get beneath the causes of shortfall.
48. The budgetary question is the extent to which a provision/contingency should be made for share shortfall. Prudent budgeting would suggest a large provision should be made. However, this in practice means that the vast majority of parishes who contribute in full would be asked to give more to compensate for the small number of parishes who shortfall. The Trustees are also mindful of the financial position of parishes and continue to monitor the annual parish finance returns. The Trustees feel a balance needs to be struck. The modest provision of £100,000 created by holding back some of the extra investment income has been rolled forward.
49. After making the shortfall provision and taking these other factors into account, the Mutual Support Fund stands at £5,167,426 in 2019. It falls in the future years due to national funding reductions but remains above £5m.

Table 3: Mutual Support Fund Income

2018	£	2019	2020	2021
712,042	National Church deprivation funding	734,636	756,794	779,497
1,733,260	National Church transition funding	1,617,666	1,468,206	1,295,503
1,267,094	Investment income	1,371,950	1,410,632	1,449,192
485,000	Fee income (net of credits to parishes)	450,000	430,000	417,000
905,262	Savings from vacant posts	1,093,174	1,166,079	1,189,6873
-100,000	Retention (shortfall contingency)	-100,000	-100,000	-100,000
5,002,659	Total	5,167,426	5,131,712	5,031,365

² NB while the term 'income' is used as a shorthand, our investment managers have discretion to achieve the targets through income or capital growth.

50. 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 2018 there is around £1.26 million in Mutual Support *between* parishes in the diocese.
51. The main source of income remains the generosity of individuals and parishes through Share. The 2016 consultation showed overwhelming support (nearly 80%) for Share increases based either on the rate of increase in stipends or a range of 1-2%. Retaining the overall Share increase in this range remains a key planning assumption. We are very mindful that a small number of respondents felt that no increase ought to be contemplated.
52. Total income for 2019 including Share is budgeted at £22,271,394 representing a notionally balanced budget provided Share shortfall is contained. Excess Share shortfall will further deplete reserves and may impair long term investment income.

10. SUMMARY & SHARE PROPOSAL

53. With expenditure of £22,271,394 and a Mutual Support Fund of £5,167,426, the total Share assessment is £17,103,968. This is an increase of 1.45% on 2018.
54. Since 2011 real efforts have been made to contain the growth in the required Share income, including two years of increases less than 1%. In no year has the increase in total Share exceeded 2%. The average annual increase over the period has been 1.4%. Over the same period the average annual increase in CPI inflation was 2.1% and the average annual increase in the State Pension has been 3.2%.
55. The increase in total Share in cash terms 2019-2020 is roughly £342k. By way of comparison, the cash increase relating to direct ministry costs ('A') plus future ministry ('B1') is £358k.
56. We are proposing that for 2019, a **maximum increase in gross share** (*before* fee credits and discounts) **for benefices of 2%** 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.
57. The new Share scheme is of course based on Mission and Ministry Units rather than benefices. It intends that Share will be a conversation with and between Mission and Ministry Units rather than allocation by formula alone. For 2018 the pioneer Mission and Ministry Units engaged with the process. This included some significant offers of generosity into the Mutual Support Fund which is helping support ministry elsewhere. With more Mission and Ministry Units participating for 2019 we hope that this will be continued, and that Mission and Ministry Units will be mindful of the overall budget position when making their offers and requests to and from the Mutual Support Fund.