

DIOCESAN SYNOD

Title: **2016 BUDGET REPORT**

Author: **CHAIR OF THE BUDGET COMMITTEE**

Date: **6 JUNE 2015**

1. The Committee has held two meetings and meets again on 9th June after Diocesan Synod to continue its work and to agree the 2016 Budget Report and Consultation due for distribution during the week beginning 22nd June. It then meets on 10th Sept to draw up its recommended budget, taking into account the results of the Consultation and further information from the National Church.

2. At its meeting in January the Committee reviewed the provisional outturn for 2014 against budget and identified the issues which would be of primary importance for 2016. These were:

- the change, expected in 2017, to the national system (Darlow formula) which determines our Archbishops' Council Selective Allocation Grant (currently £2.6m);
- stipendiary clergy numbers and recent vacancy rates;
- clergy stipends and the annual national consultation;
- inflation pressures affecting the cost of clergy housing maintenance;
- the income from renting out vacant clergy houses;
- the in-service training budget;
- the forecast parish share shortfall in 2016 and the budget provision for this; and
- the external financial situation and the advisable average increase in Deanery Share.

3. The confirmed Archbishops' Council selective allocation grant for 2016 is £2.64m. From 2017 there will be a new system and, whilst there have been no firm indications of future grant levels, the information we have so far indicates that in the first three years the impact will be relatively low and from then on the expected reductions could be manageable provided they are planned for and there are no significant additional costs arising from other national reviews. For these reasons the Budget Committee proposes not to reflect these forthcoming changes in the 2016 budget, but towards the end of the year will attempt to indicate the likely shape of the 2017 and 2018 budgets

4. An important part of the budget setting process is to identify the total number of stipendiary ministers for which to make budget provision because stipends costs make up 60% of gross expenditure. The Budget Committee continues to use for reference the *Re-Imagining Ministry* plan where its forecast of clergy retirements outstripping new stipendiary clergy in the medium term results in a projection for the minimum sustainable number of stipendiary parochial positions (Incumbent and Resource) and Title curates in 2025. The implied average reduction in positions is 5.5 annually with a range between 3 and 8 in any year. Following detailed work with Archdeacons, the reduction in established parochial

positions in 2016, as in 2015, is forecast to be at the low end of this range. After allowing for an increase in our intake of stipendiary Title curates and considering the current evidence on the number and duration of vacancies, we expect the average number of stipendiary clergy in post to be 4 less than this year.

5. Every year the National Church recommends the increase in clergy stipends for the following year so that each diocese can then make its own decision about its clergy stipends and budget accordingly. However, the National Church recommendation has been delayed this year owing to uncertainties over inflation trends. For this reason the Budget Committee has made a working assumption that the increase in April 2016 is likely to be similar to those in 2014 and 2015 (2%). Clearly the national recommendation could be different from this and the Finance Committee will make a final decision later this year. The contribution to clergy pensions (in percentage terms) remains unchanged at 39.9% of this year's National Minimum Stipend (NMS).

6. In 2014 there was an uncharacteristic budget overspend on clergy house maintenance. This was partly due to agreed exceptional costs, and partly to significant inflation in maintenance costs reflecting industry trends. The 2016 budget makes some allowance for this. The budget will also continue to allow £700k for the Clergy House Improvements Programme (CHIP) with £100k coming from the General Fund and the balance of £600k coming from capital drawdown (house sales or investment). The increased income from renting out vacant clergy houses has already been taken into account in the 2015 budget and no further increase is proposed for 2016.

7. The Budget Committee has from year to year been able to keep many budgeted amounts constant in cash terms and thus operate a steady efficiency squeeze. This will continue. However, further work is to be done on the budgets for in-service training where not all training opportunities appear to have been taken up and budget surpluses have been common.

8. The 2014 Budget planned a deficit of £300k, but the final deficit was much less than this at £90k. This primarily resulted from a higher than expected vacancy rate which delivered savings on stipends costs and also gave an opportunity to increase rental income from vacant properties. The other important factor was an improvement in parish share collection rate from 92.9% to 93.6% with the shortfall in share collections at £983k being close to the budget provision of £950k. There are reasons to anticipate further improvements and for this reason it is proposed to continue to budget for a shortfall of £950k with a provision of £650k (4% of Deanery Share) being made for this from the General Fund and the remaining £300k being drawn from reserves. This position will be reviewed later in the year with perhaps the potential to reduce the budgeted deficit.

9. Early indications are that it should be possible to hold the increase in gross Deanery Share to the levels achieved in 2014 and 2015 (namely around 1.5%), although this could change depending on the delayed clergy stipends recommendation.

10. The Budget Committee welcomes views on the issues raised in this report. The annual Budget Consultation with the parishes will continue to be important to maintain parish confidence and commitment to the support of stipendiary parochial ministry as discussed in 5 above.