

DIOCESAN SYNOD

Title: **2024 BUDGET AND SHARE SCHEME**

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1. INTRODUCTION

This report proposes a General Fund budget for 2024 for Synod approval, together with an indicative budget for years 2025 to 2028 (these are for information and not approval).

The report also introduces some minor changes to the Parish Share Scheme from 2024 onwards, which are proposed for approval.

2. CURRENT FINANCIAL CONTEXT

The General Fund budget has been in deficit for the last few years, as Parish Share payments fell short of the allocation requested. This was exacerbated by the Covid-19 pandemic. National Church funding continues to decrease year by year as transition funding reduces after the Darlow formula was withdrawn.

The 2022 budget was for a deficit of £0.825m in the General Fund, including a Parish Share shortfall of £2.0m. Outturn has been significantly better than budget, at £1.6m surplus. The improvement is mainly due to a sustainability grant of £0.5m received from the Archbishops Council, reduced expenditure linked to vacancy savings and higher than budgeted investment income linked to total return accounting. Further explanation can be found in the Summarised Financial Statements paper.

The 2022 outturn represents significant good news for the Diocese. However, the ongoing position remains an annual deficit, so a sustainable position has not yet been achieved.

3. 2024 BUDGET SUMMARY

A deficit budget of £1.362m is proposed. A summary of the budget is given below. A more detailed breakdown is included at the end of this paper.

	2024 Budget £'000	2023 Budget £'000	Change %
Income			
Parish Share Allocation	16,310	16,541	
less share shortfall	(2,447)	(2,481)	
	<u>13,863</u>	<u>14,060</u>	(1.4)%
Mutual Support Fund	5,929	5,673	
Income mitigating shortfall	1,085	1,361	
Total Income	<u>20,877</u>	<u>21,095</u>	(1.0)%
Expenditure			
Current Ministry Costs	9,683	10,058	
Current Parish Housing Costs	3,902	3,537	
Future Ministry Costs	4,196	4,334	
Parish Support	2,720	2,605	
Other costs	1,737	1,680	
Total expenditure	<u>22,239</u>	<u>22,215</u>	0.1%
Surplus / (deficit)	<u>(1,362)</u>	<u>(1,120)</u>	21.7%

4. INCOME AND THE MUTUAL SUPPORT FUND

Parish Share

The main source of income remains the generosity of individuals and parishes through Share. It is proposed that budget Share income for 2024 is £16.310m. This is 1.4% lower than in 2023.

The average Share income per stipendiary post for 2024 is budgeted at £69,287 which is 3.8% higher than 2023. This takes into consideration inflationary increases in the costs of stipends, housing and other costs, whilst also factoring in a reduction in the total number of clergy and houses under management.

Share Shortfall

Share shortfall was around 9% before the Covid19 pandemic, but grew to 18% during the pandemic. In recent months it has been gradually falling but has not yet returned to 2019 levels.

Parish Share shortfall has been estimated at £2.5m for 2024, or 15% of share allocation. This is similar to the actual shortfall in 2022, and is the same level factored into the 2023 budget.

Beyond 2024 share contribution rates are budgeted to increase gradually to 92.5%. It is hoped that in the longer term share shortfall will reduce as the scheme better reflects a fair allocation of shared costs, and as deaneries are empowered to consider share payment and sustainable clergy deployment together.

Mutual Support Fund

The main sources of income for the Mutual Support Fund (MSF) are National Church support and Diocesan Investment income. The MSF reduces the amount of Share requested from parishes.

For 2024, £5.9m of funds are budgeted to be available to reduce the request made to parishes. This is 4.5% higher than in 2023. Points to note include:

- Investment income available to the MSF has increased by 3% to £2.5m. The Total Return Accounting policy continues to allow a good level of support to be drawn from the Stipends Endowment fund whilst ensuring the capital value of the fund remains protected from inflation. The increase also reflects recent and anticipated house sales, where proceeds are invested, with investment returns available to reduce the Parish Share request.
- £0.687m has been allocated from the City Churches Fund grant to support stipend costs in the relevant 5 London boroughs.
- Some amounts from the MSF (£0.371m) and from the City Churches Fund grant (£0.103m) have been set aside to fund the Mission Opportunity Fund. The use of these funds will be determined by deaneries.

	2024 Budget £'000	2023 Budget £'000	Change %
National Church Support Transition	660	792	(16.7)%
National Church Support Deprived Communities	588	863	(31.9)%
CCF Support for Stipends in 5 borough's	687	675	1.8%
MOF funding from MSF share contributions	(371)	(360)	-
Investment Income (supporting Parish Share)	2,521	2,448	3.0%
Income from Statutory Fees	800	700	14.3%
Less Parochial Fees Paid	(151)	(150)	0.7%
Vacant Posts	1,195	705	69.5%
Total Mutual Support Fund	5,929	5,673	4.5%

Income mitigating shortfall

Within the 2024 budget, a proportion of the additional investment income achieved from Total Return Accounting is set aside to mitigate any shortfall. Since there is considerable financial pressure on parishes, the budget continues to allocate the majority of Investment income (£2.52m) to the Mutual Support Fund, with a smaller proportion (£0.95m) held back to mitigate Share shortfall. Net rental income of surplus houses (£0.13m) is also held back to mitigate Share shortfall.

The difference between the anticipated Share shortfall, £2.45m, and the income set aside to mitigate this, £1.09m, results in the budget deficit of £1.36m.

5. EXPENDITURE

The 2024 budget includes expenditure of £22.2m, 0.1% higher than the previous year.

The majority of expenditure continues to be the direct costs of parochial ministry and future ministry training (ordinands and curates). A total of £17.8m is included in the budget towards these costs, which is £1.47m more than the Parish Share allocation.

Inflation:

- Cost inflation is included at 3% increase compared to 2023 budgets which included a 10% increase reflecting the current high levels of inflation which are expected to fall in 2024.

Stipends, salaries and pensions:

- Stipends and salary costs represent the dominant portion of expenditure. These costs are allocated across all sections of the budget according to the role of the person.
- For 2024, stipends and salaries are budgeted to increase by 3%, from April.
- There is considerable uncertainty about inflation, so the budget figures are estimates at this stage. Actual stipend and salary increases for 2024 will be agreed in early in the year by Finance Committee based on advice from National Church and comparison with other dioceses.

Clergy posts and Direct costs of Ministry:

- Parochial stipendiary posts for 2024 have reduced by 14.1 to 229.4. This reflects our continuing journey towards our 2025 sustainability target of 215 posts.
- The number of houses provided to stipendiary and House for duty clergy is budgeted at 265.
- The budget also includes an average of 24 House for duty posts, 100 self-supporting ministers, and 110 Licensed Lay workers.
- Direct costs of Ministry are budgeted to reduce slightly to £13.586m (£13.595m in 2023)

Future Ministry Training and Curates:

- Investment in vocations continues, with an average of 44.0 stipendiary curates during 2024 (2023: 48). The reduction reflects a decision to appoint 12 new stipendiary curates each year from 2022 onwards, rather than 16 as in previous years. This was done mindful of the reductions in stipendiary posts and acknowledging that parishes bear the costs of training future clergy.
- Future Ministry Training and Curates costs have decreased 3.3% to £4.196m

Services to Parishes and Other Costs:

- Opportunities for reducing costs continue to be considered where possible. These have held cost changes to around the same level as the 3% inflation assumed for like-for-like costs.
- Services to Parishes costs have increased by 4.4% to £2.72m
- Other costs have increased by 3.4% to £1.737m.

6. 2024 PARISH SHARE ALLOCATION

Parish share allocation is the total of the amounts parishes, through deaneries, are initially asked to contribute. Share allocation is typically higher than the budget parish share income. This is because the number of parochial posts at the time of apportionment (in July 2023), is higher than the number of posts anticipated by the budget (which is the average across the 2024 year). Whilst it is expected that parochial posts will continue to gradually decrease for the next few years, it is not yet clear which posts will change.

The Parish share scheme initially apportions share amounts based on the number of posts currently in place. This has the effect of increasing the total share allocated by the fraction of current posts divided by 2024 budgeted posts.

2024 total allocation cannot yet be confirmed, but will be as follows:

- For stipend costs: allocation will be higher than budget by the number of stipends paid at the time of allocation, divided by the number of stipends in the budget (which is 229.4, the average expected throughout 2024).
- For housing costs: allocation will be higher than budget by the number of houses occupied by clergy at the time of allocation, divided by the number of houses in the budget (which is 265, the average expected throughout 2024).

Parishes which have a change in parochial ministry provision after the Share amounts are calculated will receive a changed Share amount once the new ministry provision has been agreed by the parish, Area Dean and Archdeacon has been confirmed in writing to the diocesan office.

7. 5 YEAR BUDGET FORECAST

A five year budget forecast has been prepared. A high level summary is included at the end of this paper.

The forecast was prepared to consider whether the deficit position might get better or worse, and so whether we are becoming sustainable or not. This is important to check that we are not heading for insolvency. Without a longer term forecast it might be difficult to have confidence to approve a deficit budget for 2024.

Overall the budget moves from a deficit of £(1,362)k in 2024 to a surplus of £387k in 2028.

The deficit is forecast to reduce because of three main changes:

- a. Continued reductions in stipendiary posts for both parochial and title (curacy) over time to 2025. Stipendiary incumbent posts (or equivalent) reduce from 243.5 in the 2023 budget to 215.0 in the 2026 budget. Stipendiary title posts (curates) reduce from 48 in the 2023 budget to 38.0 in the 2026 budget, reflecting a reduction of intake from 16 to 12 per year.

- b. Total return accounting, combined with ongoing sales of surplus houses. The contribution from total return is £3,475k in the 2024 budget, by 2028 the contribution is forecast to be £4,225k per year. The increase in total return more than offsets the reduction in Darlow transition funding expected.
- c. Parish share payments increasing from 85% to 92.5% over the course of the next 5 years.

8. 2024 SHARE SCHEME

Our Parish Share scheme changed in 2023 following a major parish consultation which took place from Autumn 2021 to Summer 2022. The consultation told us that the Parish Share should be transparent and just and should help parishes to mutually support each other.

Local agency is a key value of our new scheme. Through deaneries, parishes are empowered to decide between themselves how best to meet the costs we have agreed to share, through deanery mutual support. This gives an opportunity to reflect factors which can never form part of any formula, such as one-off building costs, or simply to express generosity to one another. Across the diocese the Mutual Support Fund acts to ensure deaneries with higher deprivation or larger geography are asked to contribute less per clergy post than deaneries with low deprivation or small geography.

The scheme seems to be achieving what it set out to do, which was to bring transparency to Share calculations, and generous mutuality to our shared finances. The scheme is helping to shed light on whether we are moving towards financial sustainability, and to give agency to parishes through deaneries to discern what might be done over the next few years where that has not yet been achieved.

As part of our ongoing feedback and consultation process, we held two consultation events on 18th April, one at Chapter House in Chelmsford and the other on Zoom. It was always our intention and commitment when we carried out the major consultation in 2022 to listen to feedback and make minor tweaks to the parish share formula in response to that feedback for 2024.

We have taken on board feedback from those meetings and have identified 4 minor changes to the scheme for 2024. Those proposed changes were discussed at Finance Committee on 25th May and recommendations are now presented to Synod to be voted upon. There were five further items that were considered but where no change is recommended at this time.

The four proposed changes are summarised on the following page. The economic impact of the choices has been modelled to show what the consequences the different options would have for parishes in different circumstances. All calculations are based on figures for the 2023 year, since the 2024 budget was not available at the time the modelling was carried out.

Item 1: Expand the Mutual Support Fund so that it can offset future training costs for parishes with House for Duty posts

The 2023 share scheme shares the costs of training future clergy between all parishes on the basis of the number of clergy serving in each parish. The calculation counts clergy in stipendiary and house for duty posts (with rare cases where a self-supporting minister in charge also taken into account). This leads to House for Duty posts being asked to contribute the same amount towards future training as posts with a full stipend. However, Mutual Support Fund Grants were not offered towards future training costs. Instead, the Grants are offered only towards the costs of parish ministry such as stipends and housing.

Several people have expressed strong views that the resulting parish share requests for parishes served by House for Duty posts is disproportionately high.

Two options are therefore proposed

A - Maintain current approach where Mutual Support Grant formula only considers the costs of parish ministry such as stipends and housing.

B - Amend the Mutual Support Grant formula to take account of future training costs in addition to parish ministry costs such as stipends and housing. This would mean that House for Duty posts receive relatively more support from the fund.

Option B will be recommended and voted upon at Synod. If approved, parish share would (on average) increase by £720 (around 1%) for stipendiary posts and decrease by £4,400 (around 13%) for House for Duty posts. This would be in addition to the 3.8% average parish share increase included in the 2024 budget.

Item 2: Geographical size of benefice in Mutual Support Grant calculation

If approved, share would change at a deanery level by a range between a reduction of £12,900 to an increase of £7,400.

There was general support for this change from the consultation, so this change is **recommended** to Diocesan Synod

Item 3: Parish share reduction during a vacancy

A 50% reduction in parish share after 2 years of a vacancy is recommended.

The proposed change would mean there is slightly less Mutual Support Fund available to all parishes. As things currently stand 9 parishes would qualify from this change which would be a total of £250k share reduction for those parishes, and the same reduction in the Mutual Support Fund. Our hope is that fewer parishes will be in long term vacancy in future. In 2024 it is anticipated that the share reduction offered to parishes in long term vacancy could be met from savings from vacant posts without reducing the Mutual Support Fund, which means the change is already included in the budget. In 2025 and thereafter the proposed change would increase share ask by approximately 1% for parishes with occupied posts or shorter vacancies.

There was strong support for there to be a parish share reduction in the case of a long-term vacancy (over 2 years), however this would not apply to clergy suspensions

or long-term sickness, as cover posts are available. As a result, this change is **recommended** to Diocesan Synod

Item 4: CCF Area of benefit extension

The proposal is to extend the area of benefit to parishes outside of London, but within the CCF area, it will result in each of those parishes receiving in parish share discount due to CCF covering a proportion of stipend cost.

This change is **recommended** to Diocesan Synod

In addition to the recommended changes described above, feedback was received about the following items, but no formula changes are currently proposed.

Number of church buildings

Some feedback has suggested the share scheme should reflect the number of church buildings within a benefice or parish, so that congregations bearing greater building costs might be asked to contribute less in share.

There continues to be strong demand for some reflection of church building costs in the Parish Share scheme, and we will continue to explore how to do this in future years.

It is recommended that **no change** is made to the 2024 scheme to reflect the number of church buildings within the model.

Full payment discount

An incentive scheme is in place which offers a 1% discount to share for parishes which choose to contribute the full share amount by regular payments throughout the year. Feedback was received that in an environment of higher interest rates and inflation 1% may be too low an incentive rate.

There was strong support at the consultation meetings to retain a discount as a reward/incentive for full payment. The proposal to increase the discount was not supported on the grounds of affordability, and that it would likely lead to a reduction overall in parish share payments.

As a result **no change** is proposed and the 1% discount for full payment of parish share will be retained.

Mission Opportunity Fund by deanery

The Mission Opportunity Fund (MOF) is not part of the Parish Share scheme. However, the availability of a new deanery-based MOF grant was announced alongside the scheme in 2022. For the first year, 2023, the funding was divided equally between our 23 deaneries for simplicity. A commitment was made to revisit the fairness of this distribution for future years.

There was strong support to maintain the MOF allocation at an equal amount per deanery. Therefore, this change is **not recommended** to Diocesan Synod

Mutual Support Fund calibrations

There are two calibration choices embedded within the operation of the mutual support fund.

Contribution rate

Deaneries and parishes contribute into the fund at a rate of 20% of costs. It is possible to change this calibration, but no change is proposed for the 2024 year.

Grant balance between deprivation and geographical area

The Mutual Support Grants are calculated based on an 80:20 split between factors relating to deprivation (“IMD”) and those relating to geographical area (“GEO”). This ratio could be amended, but **no change** is proposed for the 2024 year.

Vicarage maintenance during a vacancy

Parishes are responsible for the upkeep of their vicarage and its garden during a vacancy. Increasingly parishes are struggling with this responsibility alongside the additional work of church ministry during a clergy vacancy.

In Autumn 2023 a consultation will begin on the topic of how parishes are best served so they can flourish. The consultation will include conversations about the services offered by the diocesan office, including the balance between the quality, scope and cost.

The topic of vicarage maintenance during a vacancy is a good example of balancing scope and cost of work. The conversation will be better addressed as part of the Autumn consultation rather than as part of the 2024 parish share scheme amendments. Therefore, **no adjustment is currently proposed.**

If you would like additional information relating to the points above, a more in depth paper which was considered by Finance Committee is available on the Diocesan website. You can access that paper here - [Parish Share Changes - Additional Information](#)

Participants in the feedback meetings have also been sent a follow up email, detailing the possible changes and explaining how the feedback had helped shape those changes. You can read that email here - [Feedback email](#).

9. MOTION

Synod is invited to consider the following motions:

1 - That this Synod approve the recommendation regarding the alternative approach to accommodating House for Duty posts through the Mutual Support Fund formula.

2 - That this Synod approve the recommended amendments to the parish share scheme as set out in items 2 to 4 of paper DS(2023)06'

3 - That this Synod:

a) approve the Diocesan Budget for 2025 and the total Share of £16,310m.

b) note the forecast budget for years 2025 to 2028.

c) approves the apportionment of total Share according to the approved Share scheme, based on the number of posts and houses at the time of apportionment.

Chelmsford Diocesan Board of Finance**General Fund Budget 2024**

	2024 Budget		2023 Budget	
		£ per post		£ per post
Stipend		30,600		29,932
Related Costs		449		487
National Insurance		2,674		2,621
Pension		7,413		7,126
DBS Checks		126		132
In service training - LLM		174		174
In service training - clergy		552		552
House related:				
Council Tax		3,147		2,954
Water Rates		754		747
Insurance		697		837
Housing Mgt, Repairs and Improvements		10,023		8,078

A Direct Costs of Ministry

	posts	£ per post	posts	£ per post
Incubent stipendiary - non housing costs	229.4	41,814	243.5	40,850
Incubent stipendiary - housing costs	240.9	14,620	255.7	12,617
House for Duty - non housing costs	24.0	679	22.0	685
House for Duty - housing costs	24.0	14,620	22.0	12,617
SSM	110.0	679	140.0	685
Lay	100.0	300	110.0	306
Incumbent + 20% House for Duty (*)	235.4		247.9	
Total Ministers	463.4		515.5	

	2024 Budget			2023 Budget	
	£'000	% total	Increase / (Decrease)	£'000	
PM1 Parish Ministry					
Total Stipendaires	9,592			9,947	
Total for House of Duty	16			15	
Total for SSM & Lay	75			96	
Direct costs of Ministry Total	9,683	59.4%	(3.7)%	10,058	

PM2 Parish Housing

Total Stipendaires	3,522			3,226	
Total for House of Duty	351			278	
Total for SSM & Lay	30			34	
Direct costs of Ministry Housing Total	3,902			3,537	

PM3 Future Ministry Training & Curates

Direct Costs of Stipendary Title Posts	44.0	2,194		48.0	2,388
Housing & Appointment		742			691
Pre-Ordination (Inc DDO & St Mellitus)	2.1	1,020		2.1	1,013
Direct Costs of SSM Title Posts		40			39
Lay Training & Discipleship	0.5	200		0.5	203
		4,196	25.7%	(3.2)%	4,334

PS1 Parish Support

Area Teams Staff & Expenses	6.4	389		6.4	369
Archdeacons (plus Area Bishops' Houses)	7.0	888		7.0	871
Area Deans and other parish support		91			86
Parish Legal & Church Building Services		157			103
Education (Net Cost)		67			(14)
Children & Youth Work		112			90
DAC		242			307
Parish Finance		106			81
Safeguarding Services to Parishes		351			361
Diocesan & Bishop's Advisors	2.5	147		2.5	173
Chaplaincy & Partnerships		170			177
		2,720	16.7%	4.4%	2,605

PS2 Other Expenditure

Diocesan Services		634			585
Communications		229			184
Finance & Governance Costs		122			110
National Church		683			663
Contingency		30			28
Trading & Income from other Sources		39			110
		1,737	10.6%	3.4%	1,680

Stipendary Numbers Total	297.8			314.3	
Total Expenditure		22,239	136.4%	0.1%	22,215

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*(continued from last page)***Chelmsford Diocesan Board of Finance****General Fund Budget 2024**

	2024 Budget		2023 Budget		
Mutual Support Fund					
National Church Support Transition	(660)			(792)	
National Church Support Deprived Communities	(588)			(863)	
CCF Support for Stipends in 5 borough's	(687)			(675)	
MOF funding from MSF share contributions	371			360	
Investment Income (supporting Parish Share)	(2,521)			(2,448)	
Income from Statutory Fees	(800)			(700)	
Less Parochial Fees Paid	151			150	
Vacant Posts	(22.9)	(1,195)		(26.5)	(705)
Total Mutual Support Fund		(5,929)	36.4%	4.5%	(5,673)
Net Expenditure					
Stipendiary posts (Inc + 20% Hfd + StipCur)	212.5	16,310			16,541
Net Share apportionment		(16,310)	100.0%	(1.4)%	(16,541)
Surplus / (deficit) belonging to Parish Share scheme		-			-
General Funds - excluded from Parish Share					
Investment Income (not supporting Parish Share)		953			1,304
Rental of Houses DBF Net surplus/(deficit)		132			58
National Church Covid Support		-			-
Share Shortfall Forecast		(2,447)			(2,481)
Surplus / (deficit) outside Parish Share scheme		(1,362)			(1,120)
General Fund Surplus/(Deficit)		(1,362)	(8.4)%	21.6%	(1,120)
Notes:					
Full costs per stipendiary £ (C / *)		94,474		5.4%	89,611
Direct costs per stipendiary £ (A / *)		57,713		5.2%	54,840
Average Share request per stipendiary £ (NSA / *)		69,287		3.8%	66,725

High level summary - 5 year budget forecast	2024	2025	2026	2027	2028
Stipendiary + 20% House for Duty Posts	234.2	227.0	215.4	215.2	215.0
Stipendiary Curates	44.0	40.0	38.0	38.0	38.0
	£'000	£'000	£'000	£'000	£'000
PM1 Parish Ministry	9,683	9,566	9,212	9,383	9,570
PM2 Parish Housing	3,902	3,818	3,681	3,739	3,799
PM3 Future Ministry Training & Curates	4,196	4,011	3,947	4,024	4,104
PS1 Parish Support	2,720	2,751	2,792	2,847	2,904
PS2 Other Expenditure	1,737	1,754	1,781	1,816	1,853
Parish Support Subtotal	22,239	21,900	21,412	21,809	22,229
Mutual Support Fund	(5,929)	(5,575)	(5,311)	(5,426)	(5,545)
Net Share apportionment	(16,310)	(16,326)	(16,101)	(16,383)	(16,684)
Surplus / (deficit) outside the Parish Share scheme	(1,362)	(766)	(181)	283	387
Net Deficit for year	(1,362)	(766)	(181)	283	387