

Diocesan Synod Budget 2019

20 October 2018

Agenda Item 12

Introduction

I am pleased to present the DBF Budget 2019 for consideration and approval by Diocesan Synod. It has proven to be a particularly challenging budget to prepare. As in previous years, there has been a need to strike a balance between what we have to ask of our generous parishes in terms of Common Fund (sum of all Parish Shares) and the extent to which we resolve to draw from DBF reserves for missional initiatives.

In 2018 we have seen parishes and deaneries embrace wholeheartedly the diocesan vision with people living and telling the story of Jesus. The theme of investing for growth has allowed:

- additional ordinands to enter training;
- additional curates to be deployed in training parishes;
- the new Go Team of youth and children's advisors to work across the three archdeaconries;
- the first of our Pioneer Ministers, funded from diocesan reserves and National Church grants, to start work in the new housing estates in the Bathpool area of Taunton;
- increased focus on lay vocations and lay training.

In terms of diocesan structures and teams, work continues to refocus energies and resources towards mission. We seek to support our parishes in ways that, in turn, enable our people to demonstrate God's love and care at home, at work, in school, with families and friends.

The 19 Deanery Mission Plans have become a key focus as we seek to make deaneries vital to local decision-making, local mission and collaboration across parishes.

The DBF's five year plan (to 2022) provided for a 4.5% increase in Common Fund in 2018. Last year, however, I declared the intention to limit the Common Fund budget increase from 2019 to 2022 to no more than CPI inflation. For July 2018 this was 2.5%.

So, in line with CPI, the proposed budget for 2019 shows an increase to the Common Fund of 2.5% compared to 2018, with a break-even operating position. Such an increase confirms the plans I outlined to Synod last year, to allow the DBF to continue with the planned missional investment for growth. Anything less would negatively impact on the diocese's ability to support parishes in their work to love and care for their communities.

Analysis of the budget changes

The proposed budget for 2019 is summarised in **Appendix 1** showing a Common Fund increase of 2.5% to fund a balanced operating budget.

Income

Total investment income is marginally above 2018 budget. Increased dividends/interest are offset by planned investment sales. The parochial fees budget for 2018 was optimistic and the 2019 budget reflects more realistic income levels. Management charges are anticipated to increase as a result of increased house/land sale/purchase activity.

Expenditure

Overall clergy headcount has reduced by one as the budget incorporates assumptions that curates will move on more quickly together and parochial vacancy levels are assumed to increase.

Stipend and salary budgeted increases have been assumed at 2%.

Ordinands' training and support are higher due to the increased number of ordinands and therefore higher family support (some of which is not poolable).

The budget includes making permanent the Strategic Programme resource, funded from the restricted/designated Strategic and Mission Development Funds until September 2019.

Safeguarding expenditure has increased due to additional 0.5 FTE administrative support resulting from higher parish referrals.

All the main diocesan support functions, Ministry for Mission, Education and Central Services have proposed budget increases below CPI inflation.

Exclusions

This budget relates to the General Fund. It does not include any provision for either the capital costs of any new office building, which will be funded from the proceeds of the Old Deanery sale and reserves, or grants to parishes (formerly from the Fund for Church Growth).

Impact on Parish Share

The Diocese of Bath & Wells continues to have one of the highest rates of collections of Parish Share of any diocese in England. This is due to the hard work, commitment and generosity of so many people. Thank you.

If agreed, the proposed budget increase will impact upon the Common Fund and therefore Parish Share for many parishes. These changes are outlined in the **supporting presentation slides**.

There has been a more marked decline this year in declared membership. A number of parishes have reported a reduction due to previous errors in counting members. Whilst there is detailed guidance provided with the membership survey each year, it appears that this has not been correctly followed by some parishes. The impact of these correcting adjustments is estimated at 1.2% of the total reported 2.8% average membership decline.

A 2.5% Common Fund increase therefore results in an average share per member increase across all categories of 5.7%. It is recognised that the current missional initiatives will take a number of years to bear fruit and help to grow future membership.

We really do also recognise that some parishes are struggling financially. There is a commitment over the coming year to look again at the Common Fund formula to see how it might be modified to help encourage growth in future membership. More will be said about this at Synod.

Whilst the overall average increase per member is 5.7%, the share for individual parishes will depend not only on the diocesan factors shown, but also local parish factors including changes in category and membership and the impact of caps and collars in the current and previous years. Details of what this budget might mean for individual parishes will be made available by early November.

Budget preparation process

The 2019 budget process started with budget holders setting detailed budgets with written submissions outlining how the work to be funded aligned with the strategic objectives. This was followed by detailed scrutiny by Finance Group members, during meetings with budget holders, followed by a separate Finance Group budget meeting. The budgets agreed by the Finance Group were presented to Bishop's Council in September. Bishop's Council recommended the budget proposed to be approved by Synod.

The majority of the departmental budgets were accepted, recognising that budget holders have requested the necessary funding to allow them to deliver the strategic objectives. A few budgets were amended following Finance Group discussions to the achieve savings required to balance the budget within the CPI increase limitation.

The departmental budget tables and associated commentaries have been provided to Synod members for information. These help to explain in more detail the £12.5m expenditure requirement.

Synod Motion to approve the 2019 budget

That this Synod resolves:

“To approve the Diocesan Board of Finance Budget for 2019 providing for net expenditure of £12.55 million, resulting in a Common Fund increase of 2.5%.”

Your Bishop's Council and your Officers believe that the 2019 DBF Proposed Budget meets the Diocese's strategic budgetary objectives. We therefore commend it to Diocesan Synod.

Harry Musselwhite
DBF Chair
5 October 2018

Appendix 1

							Revised version for Synod 20/10/18	
The Bath & Wells Diocesan Board of Finance				v8 updated 03/10/18				
General Fund Budget Summary								
	Table	2016	2017	2018	2019	2019 vs 2018 Bud		
		Actual	Actual	Budget	Proposed	Change	2019	
		£'000s	£'000s	£'000s	Budget	£'000s	%	
		£'0	£'000s	£'000s	£'000s	£'000s		
INCOME:	% Increase	1.0%	1.5%	4.5%	2.50%			
Common Fund:		9,724	9,870	10,314	10,572	258	2.5%	
Prior years and additional payments		13	30	0	0	0		
Parish Share Shortfall	1.0% 99% col. rate	(106)	(110)	(103)	(105)	(3)	2.5%	
Less: Discounts	0.3%	(31)	(30)	(31)	(32)	(1)	3.2%	
		9,601	9,760	10,180	10,434	254	2.5%	
General Fund - Investment Income	1	237	276	250	260	10	3.9%	
General Fund - Solar (PV) Panels	1	63	58	65	70	5	8.5%	
General Fund - Interest	1	13	8	6	15	9	144.7%	
Assigned Fees, Grants & Chaplaincy	2	709	691	740	720	(20)	(2.7%)	
Stipends Fund - Investment Income	2	966	949	987	975	(12)	(1.2%)	
Management charges (House & Land Sales)		39	74	50	70	20	40.0%	
		2,028	2,056	2,098	2,111	12	(0.5%)	
		11,628	11,816	12,278	12,545	266	2.2%	
EXPENDITURE (net):								
Parochial Ministry:								
Stipends	2	7,267	7,471	7,541	7,644	(104)	(1.4%)	
Clergy Housing	3	953	991	975	1,015	(40)	(4.0%)	
		8,220	8,462	8,516	8,659	(144)	(1.7%)	
Ministry for Mission	4	624	688	921	914	7	0.8%	
Ordinands - Training and support	5	601	532	545	612	(67)	(10.9%)	
National Church	6	449	464	480	495	(15)	(3.1%)	
Diocesan Board of Education(Schools)	7.1	303	336	373	366	7	1.9%	
Youth and Children	7.2	140	138	190	190	0	0.1%	
Administration	8	612	620	612	623	(11)	(1.7%)	
Communications Group	9	140	126	119	126	(7)	(5.9%)	
Safeguarding	10	65	92	103	116	(13)	(11.2%)	
The Old Deanery	11	91	90	94	87	6	7.2%	
IT Support	12	47	33	38	38	0	0.0%	
Other Diocesan Expenditure	13	176	181	180	174	5	3.0%	
Care of Churches (DAC)	14	53	61	62	63	(1)	(1.7%)	
Strategic Programme Management	15	0	1	5	35	(30)	(85.4%)	
Net Finance Costs		15	78	33	47	(14)		
Diocesan Gathering			0	10	0	10		
Lay DB past-service pension deficit		41	40	0	0	0		
		3,358	3,480	3,763	3,885	£(122)	(3.2%)	
		11,578	11,942	12,278	12,545	(266)	(2.2%)	
Budgeted (Deficit) / Surplus for the year		£50	£(125)	£0	0	£0		
Staff Headcount (net)		47.9	50.5	56.8	57.8	1.0		
Clergy headcount		187.8	192.0	190.9	189.8	(1.1)		
ALM headcount		4.6	4.3	4.0	4.0	0.0		