

Synod November 2016

Budget 2017

Introduction

The budget for 2017 is being brought forward by Bishop's Council for approval by Synod. A summary top sheet is attached with this paper. The detailed budget pack is available on the diocesan website at:

http://portsmouth.anglican.org/fileadmin/images/Who_we_are/Diocese/Diocesan_finance/Draft_2017_Budget_Information.pdf

The budget remains within the parameters presented at the July Synod. The main assumptions are:

Parish Share:

- Increase in line with forecast (@ June) CPI for 2017 at 1.9%.
- Recovery rate 98%.

Clergy Costs:

- 1.5% increase in salary scales in April 2017.
- Vacancy rate will return to 2014 levels 12.8%.
- Curate numbers increase to 16.5 (from 14.0).

Since July we have been through a process of further review both internally and externally. We held a consultation event at the Cathedral on 12 September and have also had written representations from various Deaneries and parishes.

The response from the event itself was broadly positive. We only received eight written responses. One was a very positive response from a Petersfield deanery parish and the other replies were mainly parishes who are struggling to meet their parish share requests. The points they raised were valid questions and the rest of this paper seeks to respond to them and other key points raised at the consultation.

Strategic Plan

There was a request to have a more cohesive strategic plan. We have the overall framework of 'Live, Pray, Serve' and many elements beneath that including the deanery plans and the pioneer strategy. Bishop's staff have already recognized the need to bring that more together to have a clearer framework for the continuing strategic development of the diocese and have begun further work on that.

Large increases in Parish Share

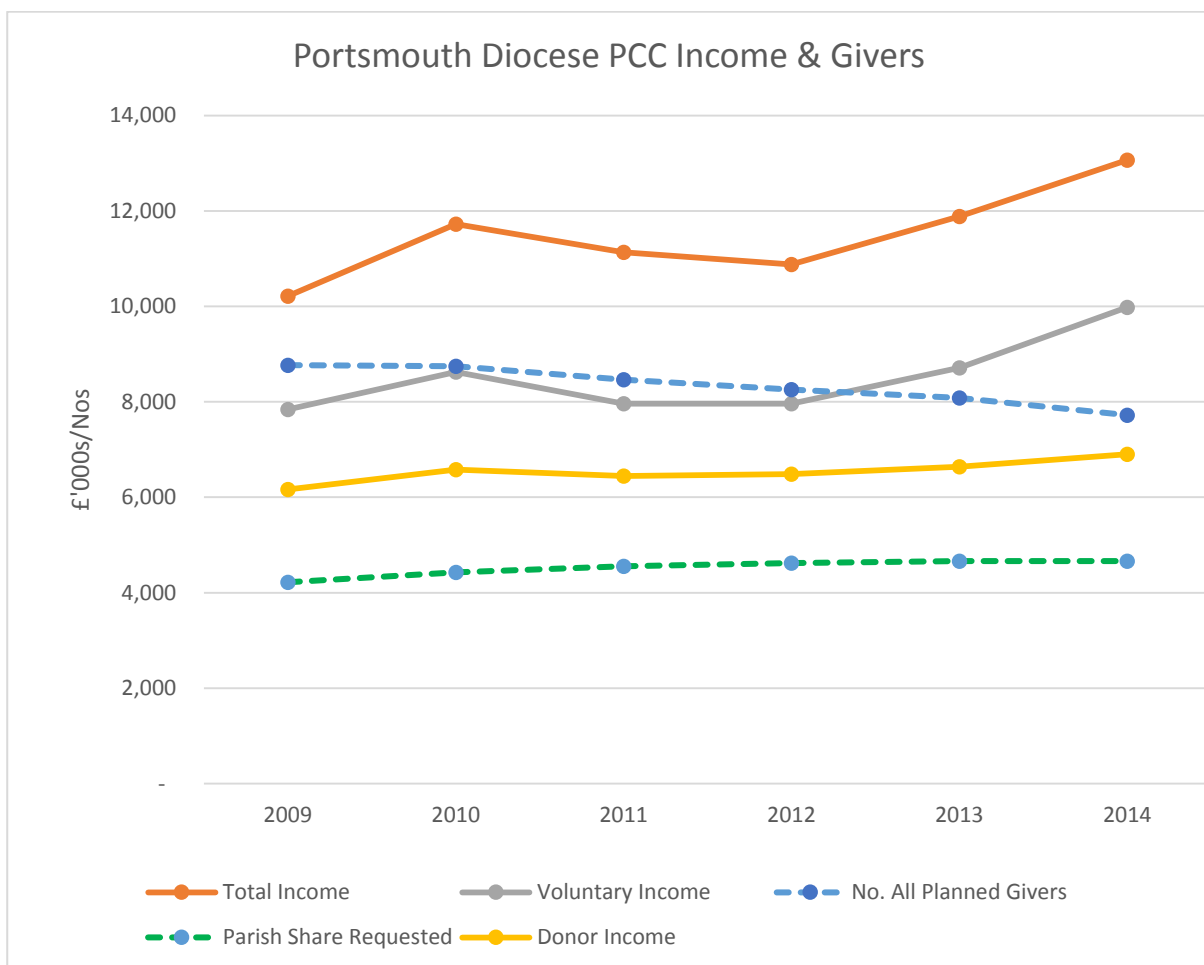
Some parishes are experiencing increases in parish share well in excess of the average 1.9%. This is not because of the budget itself but the effect of the revision of the parish share allocation system approved in July 2015 which revised the affluence factors used for parishes and their weighting. This has produced significant changes in parish share allocation that are being phased in over three years. 2017 will be the second year. Whilst this should produce a 'fairer' allocation and a closer match between resources and request, the process of change is difficult.

Long-term sustainability

However as donor numbers trend slowly down in the diocese, although the overall budget increase remains within inflation, there is a leveraged effect on amount per donor and on parishes who maintain their numbers. Various of the responses question long-term sustainability.

This has been the historic trend in the Church of England for at least the last twenty five years – despite declining numbers, overall income has continued to grow consistently as historic investment income has faltered. At some point that trend will have to break down if membership numbers continue to fall. However we do not seem to be approaching that point yet and it further emphasizes the need to invest in the right areas to promote growth.

The overall financial position of parishes within the diocese is not in fact one of financial decline but one of improving finances, growing reserves and reducing parish share compared to incomes. This is shown in the following graph from the budget pack:



Overall giving rates compared to income are in the bottom quartile compared to other dioceses. There thus still seems to be capacity to further improve financial positions. Our work with individual parish accounts and stewardship also substantiates this position.

Despite the overall position, many parishes though will still be struggling financially for many varied reasons. We are also looking further at how we can support individual parishes.

The Isle of Wight plan/developments is also a test-bed of whether we can create a more sustainable church on a smaller resource base.

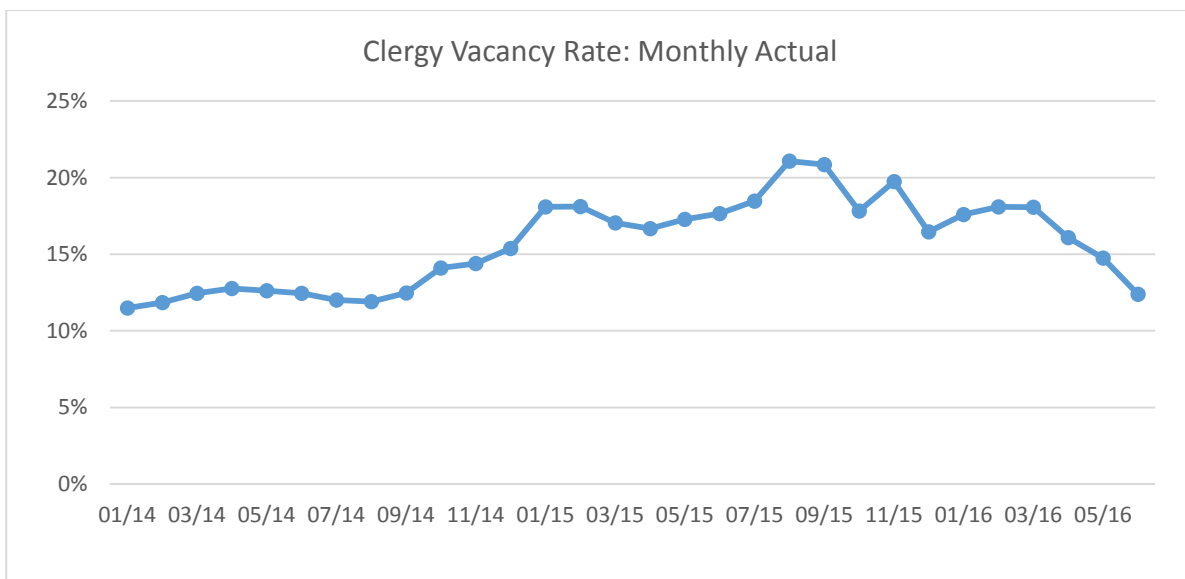
CPI

Page 20 of the budget booklet gives detail on the CPI rates used but some the responses were confused on that point. The CPI rate that we have used is the forecast CPI for 2017 as shown by the summary of economic forecasts produced by the Office for National Statistics in June. Against the latest (September) forecasts, the 2017 forecast has increased (2.5%). If we compare actual and current forecasts for CPI against our actual and proposed share increases, we are still keeping well within a CPI framework.

	2015	2016	2017
CPI (actual/forecast)	0%	1.3%	2.5%
Share increase	0%	1.5%	1.9%

Clergy Vacancies

We are continuing to have higher vacancies than budgeted. This is one of the main reasons behind our surplus in 2015 and our forecast for 2016. This was largely driven by positions held whilst deanery plans were finalized. Our vacancies are now reducing although this is still an issue for the Isle of Wight. The following graph in the budget book shows how the vacancy rate climbed to over 20% in 2015 but is now reducing to its historic level of about 12% which is where the budget is set.



The underspend on clergy is then being used in 2017 and onwards to fund additional curates as the best longer term response to providing ministry.

Malcolm Twigger-Ross
October 2016