# Diocesan Budget 2019

This paper presents Bishop’s Council’s proposed budget for 2019 for Synod’s approval.

## Background

The Portsmouth DBF aims for a 3 year budget cycle and throughout the triennium ending in 2018 the policy has been to keep budget increases to the minimum necessary to carry out the identified mission and associated tasks directed by Synod, and to ensure that such increases do not exceed the Consumer Price Index (CPI) rate. This was adhered to, and indeed the 2018 budget reflected an increase of 2% despite CPI being predicted at 3%.

This commitment to keeping budget increases to a minimum and engaging in a full consultation process over the shaping of the diocesan budget in support of the Diocesan strategy continues, but the consultation process planned for 2018 to inform the budget and strategy for the years 2019 to 2021 did not take place for several reasons:

* The Diocesan Synod, in November 2017, requested that each deanery gather and provide the Synod with a report on the existing and proposed plans of the deanery and its parishes that address the challenge of Live¦Pray¦Serve. This was presented to Synod in June 2018 due to the scale of the work involved for the parishes and deaneries.
* Clearly it is important to have clarity of strategy for our mission to enable a meaningful budget to be constructed to support activities in the next few years and so it was determined that further consultation and strategic planning was required to enable this
* It was deemed illogical to set a triennial budget and so tie the hands of a new Diocesan Secretary just prior to their appointment.

In this context the June meeting of the Bishop’s Council approved an uplift to the parish share budget for 2019 of CPI; which at that time was anticipated to be around 2%.

The CPI rate published for the year to June 2018 proved to be 2.4%, with the CPIH (a rate that incorporates owner occupier housing costs) unusually being slightly lower at 2.3%. Indicative values by parish for the allocation of a budget based on a 2.3% increase in parish share were circulated to parishes ;feedback was invited and some was received.

## Parish Share

The principle of contributions being based on an ability to pay that underpins our parish share system has served the Diocese well over the years as reflected in the high collection rate consistently achieved. Since the ability to pay is calculated by a formula that takes into consideration both wealth (‘wealth’ being indicated by income not capital assets, as determined by Experian data) and the size of the worshipping community then any fall in the weekly attendance figure will mean a greater burden on each individual, even if all other factors remain unchanged.

The total average weekly attendance (AWA) for the Diocese fell by 2.7% and when this fact is combined with an increase of 2.3% in the amount to be collected the effect on a parish whose attendance has remained constant is a 5.2% increase in the amount being requested.

This fact causes serious concern to some parishes and the process is continually subject to discussion and review. The policy of taking a rolling 10 year average AWA means that the impact on share requested from a growing parish is phased in to avoid killing new initiatives in their early years and allows for stewardship growth with new congregation members. Equally the reduction in share for a parish with declining numbers is phased in gradually. The possible option of introducing a cap on the percentage increase that any parish can be asked for has been discussed by the DFC but was rejected on the basis that any such general cap would have the effect of building in cumulative deviations from the agreed underlying principles on which share is allocated.

The question of how new churches and congregations should be incorporated into the parish share system has been considered by both the DFC and the Bishop’s Council, with the need to ensure that they make a fair contribution to the life and work of the Diocese as soon as possible being balanced against the importance of ensuring that new initiatives are not squashed in their early stages by undue financial pressures. The importance of recognizing the sudden reduction in the AWA of the successful planting church was also raised and how best this should be incorporated into the parish share calculations.

After much discussion it was agreed unanimously that there would be a three year grace period for Parish Share for church plants and Fresh Expressions (FX) followed by the introduction of parish share payments using the number of commissioned personnel sent to the church plant as the effective initial 10 year rolling average adding in the actual AWA figures for each subsequent year.

Furthermore the donor church sending out commissioned personnel will have their AWA reduced retrospectively for the full 10 years by the number of commissioned personnel sent out from their worshipping community. This builds on the principle that our Parish Share system is constructed to promote and subsidise growth rather than manage decline.

Review of 2018

The third quarter management accounts forecast a year end position with a variance of less than 1% of the total gross costs of £7.8m in the 2018 budget. Whilst this is indicative of the close control of the Diocesan finances, it does not tell the whole story as it has been a busy year.

Reserves continue to be spent, in line with the budget, to support the planned work on the parsonages and the increased number of curates, whilst the strategic grant from the Church Commissioners has continued to fund new projects. Although the spending of reserves needs to be carefully monitored it should not necessarily be seen as a bad thing and must be viewed in the context of the long term strategy for mission and growth. Indeed the funding gap in the Archbishops’ Council budget is planned to be met from reserves in 2019.

The glebe land at Wickham was finally sold in March 2018 for a little over three million pounds. Under the terms of the Pastoral Measure such income from the sale of glebe must be credited to the Diocesan Pastoral Account where its use is primarily to produce income for stipends but can also be directed towards the acquisition and maintenance of parsonages and glebe properties. It cannot be used for salaries or wages of persons in the regular employment of the Diocese.

## Key Risks

The key risks identified at the time of the 2018 budget preparation remain to a large extent unchanged.

* **Development of education team external income and multi-academy trusts**.

The education team, including support for the multi-academy trust, has continued to develop in response to the rapid pace of change in education. The anticipated increase in service income has yet to materialise and the investment of historic education funds continue to be actively managed to minimise the impact on parish share.

* **Economic uncertainty**

With the outcome of the Brexit vote still undecided the economic future remains uncertain and how inflation, wages and economic prosperity within our Diocese will develop is difficult to predict.

* **Parish share contributions**

We continue to plan for a high rate of parish share receipts at 98% of our budget. As the largest part of our income, any fluctuation in that will impact on our results.

* **Strategic Development Funding**

Although the outcome of the second bid is still uncertain, commitments and costs have already been incurred on the basis of the first bid and SDF funded posts will need to be funded by the Diocese in future years.

* **National Ordinand and training costs**

This has been the first year of the new funding arrangements and with numbers falling short of budget aspirations there has been a cost to bear. The uncertainty of both ordinand numbers and the Church Commissioners’ funding policies mean that this continues to be an area of risk.

## The 2019 Budget

In the current context a more detailed and reliable report on the 2019 budget is not available at this stage. However, although many factors remain uncertain, the information received from the Archbishops’ Council in June regarding their financial planning assumptions supports a request for an increase of 2.3% in the total share being requested to a total of £5,119,475

Mary Makin, Acting Finance Director

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