

**Indicative Diocesan Budget for 2016**

The various Archbishops' Task Force reports under consideration in General Synod have made it perfectly clear that the Church of England faces huge challenges if it is to retain the capacity to proclaim the Gospel afresh to each generation. The various consultations with dioceses have thrown off course this year's plans to develop a strategic path that sought to marry our priorities together with our spending plans. As Bishop Trevor said at the March Synod we now need to present an indicative budget first at our June synod if Parish Share allocations are to be given to deaneries in time for their own round of meetings with parishes and deanery synods in July. A detailed budget will be presented to the November Synod for approval.

**Analysis of the anticipated main cost drivers for 2016 indicates that an average increase in Parish Share of 2.5% for 2016 would be required.** The drivers that lead to such an increase are as follows:

**1. Clergy Stipends**

The Finance & Assets Committee have been aware that Canterbury stipends have been slipping behind the Regional Benchmark. At its December meeting the Committee responded to the request of Bishop Trevor at the November Synod to add a further ½% increase in stipends for 2015 to the already budgeted ½%. This added approximately £15k in unbudgeted costs to the 2015 budget – and these will now come through into 2016. Additionally the Committee were aware that with national benchmarks having consistently risen by 2% year on year since 2009 and with Canterbury's increases never being more than a maximum of 1% in that time, something needs to be done to reverse this decline in differentials. For the stipend year April 2015 – March 2016 the relative figures will be

|                            |                |
|----------------------------|----------------|
| Canterbury Stipend         | <b>£24,240</b> |
| Regional Benchmark         | <b>£25,150</b> |
| National Stipend Benchmark | <b>£24,690</b> |
| National Minimum Stipend   | <b>£23,250</b> |

This puts Canterbury £990 or 4.2% above the legally enforceable national minimum for stipends. Whilst there is no evidence that this has prevented clergy from accepting posts in this diocese it can hardly help clergy morale to be so far behind in stipend terms.

The proposal is that clergy stipends should rise by **2%** in 2016. The effect of this rise and the flow through of the additional unbudgeted rise in 2015 is to increase these costs by 2.3%. Indications from the national church suggest that the rise in stipend benchmarks in 2016 is likely to be 1.5% which indicates that a rise in Canterbury stipends of 2% would begin to improve the situation. However it is clear that further increases of this nature in 2017 and beyond will be needed.

**2. Clergy Pensions**

2016 is a year when there is an impact of a 3 year actuarial evaluation of the clergy scheme on the contribution rate. But as that rate is linked to increases in the national minimum stipend it would be prudent and realistic to budget for a 2% rise in clergy pensions. In 2014 the diocese over-budgeted

for a contribution rate of 39.9%, the implementation of which was delayed until 2015. Utilising some of this over-recovery can mitigate against a further rise in our pensions budget until 2017.

### **3. Clergy Housing**

Recognising the great pressures within the clergy housing repair budget and the number of vacancies per year which remains at high levels it would seem prudent to increase this budget by 1.7% in 2016 - from £6,000 per house to £6,100.

### **4. Unit Incremental Cost of Ministry**

The above factors would give rise to a change in these unit costs as follows:

2014    **£42,500** (excluding CME contribution)

2015    **£42,608** +0.25%

2016    **£43,484** +2.1%

### **5. Diocesan Shared Costs**

The most significant issue to address is the sudden upsurge in costs relating to Safeguarding, reflecting the massively increased workloads for our Diocesan Safeguarding Advisers. The 2014 budget of £86k was overspent by £50k at £136k. Accordingly a budget for 2015 of £150k appears conservative, but would give some scope to address capacity issues giving a total increase of £63k in budget.

2016 will also mark the final year in which the Church Commissioner grant to the diocese of over £700k is fully earmarked for missional grant purposes. This earmarking removes a further £65k from the income side of the general budget and adds to the projected increase in Parish Share. This in turn adds to the diocese's capacity to give missional grants to individual parishes which need financial support for key projects and initiatives. It should be noted that with the proposed removal of the Darlow Formula which allocates the Church Commissioner support, Canterbury Diocese is well placed to benefit from the new allocation methodologies.

It is a principle of Canterbury Diocese that in the interest of equality – all diocesan officers are awarded the same level of increases as for the clergy. Therefore a 2% stipend rise will give rise to a 2% rise in salaries for officers. As for the clergy there is also a ½% unbudgeted pay rise or approximately £7k for 2015 to be absorbed in 2016.

The level of rentals from lettings of clergy ministry houses has consistently exceeded budget levels and based upon a number of years of experience the projected levels can now be more confidently budgeted. This would lead to an increase of £100k in budgeted income.

These key cost drivers impact the Diocesan Shared costs as follows:

2014            **£2,865k**

2015            **£2,899k**                    +1.2%

|      |              |                           |              |
|------|--------------|---------------------------|--------------|
| 2016 | Add          | £63k safeguarding         | +2.2%        |
|      | Add          | £65k CC grant             | +2.3%        |
|      | Add          | £32k salary increases     | +1.1%        |
|      | Add          | £33k other cost increases | +1.1%        |
|      | Less         | £100k rental income       | -3.4%        |
|      | <b>Total</b> | <b>£2,993k</b>            | <b>+3.3%</b> |

### **Total Costs**

The increase of 2.1% in unit ministry costs and the 3.3% in net diocesan shared costs together bring about the 2.5% increase in Parish Share requirements.

It should also be noted that in 2016 those parishes where ministry has moved from House for Duty to 0.2 Part Time Ministries will be asked to pay one third 33.3% of the increase in costs. This is not factored into the above increases. However the Diocesan Mission Resources Group is concerned to look at individual cases where these Part Time Ministries are in place to ensure that mission and ministry is not compromised.

### **Finance & Assets Committee and Archbishop's Council Recommendations**

At its meeting on the 22<sup>nd</sup> May 2015 the Finance & Assets Committee considered all these factors and agreed with each component. However they were concerned that a 2.5% increase could give maximum increases of Parish Share of 4.5% to some parishes. They would prefer to limit the average increase to 2% with a maximum increase of 4%. They recognised that adjustments to 2016 budget overruns caused by the lack of detail at this time would be adjusted in 2017 and were buoyed by the more favourable financial results in 2014. They felt there was a capacity to absorb these cost overruns for 2016. Their recommendation was agreed by Archbishop's Council at its meeting on the 3<sup>rd</sup> June 2015. **Accordingly it is proposed by Archbishop's Council that Parish Share should rise by an average of 2% in 2016.**

**Synod is asked to approve.**

**JJH June 2015**