

Draft 2023 Revenue Budget

Overview

We remain encouraged by the wonderful way in which so many parishes have managed to sustain their mission and ministry through the pandemic including the financial contributions in the form of parish share that finance the costs of parish ministry and (to a lesser extent) diocesan and national costs.

Higher inflation is a new and unexpected challenge. Bishop's Council is anxious to acknowledge the effect of this on clergy (as well as recognise its impact on building costs in particular). Whilst it will not be possible in this or any other diocese to match the 10% inflation rate expected this summer, we are providing for a higher level of stipend (and salary) increase. Dioceses have just been advised of additional national hardship funding for clergy, particularly to address the huge increase in energy bills, and we will be communicating with clergy before the end of June about that once we have worked out a fair way of distributing it.

We expected that this would mean, after two years of no increase in parish share overall, the necessity of an across-the-board increase in parish share, even with pruning the budget where we sensibly can.

I am delighted to say that the Church of England Pensions Board has just announced that the Clergy Pensions Scheme is in surplus and that following the last valuation it is now possible to reduce the contribution rate to 28% of the national minimum stipend (it was 39.9% in 2021 and there is an interim reduction from 1 April 2022 to 36%). Subject to the current consultation period, this new rate will be implemented from 1 January 2023.

This news came just in time for Bishop's Council to reflect on how this should be reflected in the budget. Bishop's Council decided that it is now possible to reduce by 2% from what it would otherwise have been the amount being requested in parish share (from an average of a 2% increase to an average of a freeze for the third year). We know that this will be very welcome to parishes still facing a significant negative financial legacy as we emerge from Covid.

The reduction in the clergy pension contribution will also be used to reduce the Covid-induced deficit on the annual diocesan budget to avoid additional pressure on future years' parish share and to bring onto the core budget the costs (as was always envisaged would happen) of associate archdeacons which have become a valued and important part of resourcing parish mission and ministry given the size of our diocese.

Bishop's Council commends this draft Budget to Diocesan Synod.

Mark Humphriss
Diocesan Secretary

A Introduction

The draft 2023 revenue budget is below, in comparison to the 2022 forecast. Based on the assumptions listed below, the 2023 budget currently shows a surplus of **£1K**, before the recommendation by the Parish Share Review Group to provide a £170k vacancy provision (see paper ODS 22.06). If Synod agree to this recommendation, the budgeted deficit will be **£169k**.

The revised 2022 forecast is presented as a comparator, as this does reflect, for example, the material adjustment made on the Clergy Pension Scheme noted below. This results in a forecast deficit of £347k, compared to the original budget of £561k.

This paper also includes what the Finance Committee would like to think is an improved clearer presentation of the budget using the 2023 draft (plus the addition of the £170k proposed vacancy provision) and the 2022 budget as a comparator.

B 2023 budget assumptions

The following parameters that have been used as a start point for setting the budget. These are shown in comparison to the 2023 budget assumptions:

- Stipends increase 3.0% (2022: 3%)
- Share increase 0% (2022: 0%)
- Share under collection 4.0% (2022: 5%)
- Clergy vacancies 26 (2022: 26)
- Buildings repairs increase 15% on raw materials (2022: 0%)
- Stipendiary clergy posts 309.13 (2022: 309.13)
- Curates in training average posts 59 (2022: 60)

C Changes to clergy numbers

The share scheme allows for changes in stipendiary post numbers to be confirmed over the summer before the draft final budget is presented to October Bishop's Council. The draft 2023 budget assumes no change in post numbers. Post numbers will be reviewed in detail with the Archdeacons for the 2023 share allocation and any changes to ministry costs will create an equal change to the parish share allocation for the relevant deanery.

The model also assumes no changes in the vacancy rate (maintaining at 26).

Curate numbers are expected to reduce by one to 59.

D Staff numbers

Staff numbers are expected to reduce by a further two posts compared to 2022.

E 2023 Parish Share

i) Share uplift:

The draft budget for parish share is prepared on the assumption of an average 0% increase in share on the gross 2022 allocated total.

ii) Share parameters:

The floor and ceiling are set at -2% and +2%. In earlier drafts of the budget this was 0% and +4% respectively. The revision reflects the opportunity created by savings in the Clergy Pension Scheme (see Note G below).

iii) Share under collections:

93.2% of parish share was received in 2021. The current budget model for 2023 assumes a collection rate of 96% (2022 budget 95%). The assumption is that there will be a recovery in collection rates, as Parishes continue to recovery financially.

The budgeted recovery rate was a challenging topic of conversation at the Spring Financial Consultation. We need to note that we will have a more complete picture of likely recoveries later in the year, as we see what is achieved this year whilst having a better understanding of remaining Parish Reserves once we have received Parish accounts/Finance Forms.

It is envisaged that the proposed additional vacancy provision of £170k and a 2% reduction in the floor and ceiling Share parameters will help Share recovery.

iv) Revised Share System

Whilst subject to a separate paper to Synod, there is one recommendation from the Parish Share Review Group which has a direct budgetary impact. An additional vacancy related allowance (assumes 10% of related allocated Share – pro-rated for each full month of vacancy), which could create an additional budgeted cost of £170k. This has been reflected in the proposed restructured budget in this paper, such that Synod can understand the impact.

F Parochial Fees

Fees returned to the Diocese by parishes from weddings and funerals have started to recover. 2021 saw a significant improvement on 2020, although not at budgeted levels. Therefore, we have held fees at 2022 budget levels, for the moment. No adjustment has been made to the budget to reflect the additional costs that would arise if Diocesan Synod votes in favour of the motion on SSMs/LLMs claiming fees (see separate Diocesan Synod paper).

G Pension scheme deficit contributions

The contribution rate to the clergy pension scheme has been reduced to 36% with effect from 1 April 2022. This is a transitional rate and has been reflected in the latest 2022 forecast below. The Church of England Pensions Board are now consulting on a contribution rate of

28% from 1 January 2023. This reduction is very welcome and, whilst still subject to a consultation period with all Dioceses, the Scheme Actuary currently regards this rate as a 'best estimate' which should remain unchanged for at least the next three years.

The reduction in Contribution rate relates solely to the deficit reduction element only. In the medium term this element is not required as the Scheme is in surplus. Note this reduction does not impact on clergy benefits from the Scheme.

K Glebe net income

The implementation of a total return approach to investment income means that the revenue budget element will come from the unapplied total return pot. We have currently modelled a 3% net increase (after Investment Manager charges).

L Buildings budget

The largest inflationary pressure will fall on this budget. We have currently assumed a 15% inflation rate on raw material costs (this is at the optimistic end of the likely range) and 5% on Council Tax and Water Rates.

In addition (and separate to this budget), the Finance Committee has agreed to the creation of a £550k designated fund to assist the Buildings budget. This fund will be used in the three year period 2022 – 2024 to expend relevant deferred costs from 2020 & 2021.

M Department of Mission & Ministry

Overall, the Department of Mission budget has increased by £25k, mainly due to proposed changes in the Local Ministry Pathway budget. The budget reflects the proposed transition from ordinand to lay ministry training. The loss of related income is offset somewhat by expense savings (i.e. travel expenses).

The budget for married ordinand maintenance grants is dependent on individual circumstances – grant payments can range from nil to £22K per person. The 2023 budget is set at the same level as the 2022 budget, which does give some flexibility for increased cost. This budget area will require a more detailed review later in the year when we will have a better idea of ordinands potentially starting training in September. The new system for approving Ordinands is causing delays in confirmation of candidates.

N National Church costs

National church costs vote 2-5 are included in the draft budget with a 2% increase on 2022. This is a prudent estimate and initial indications are that it will be less. We have no knowledge at this stage of the Vote 1 'Ordinand pooling' cost, which will not be known until the Autumn (as it pools all of the Dioceses' plans). We should have final figures when the final Budget comes to Synod in November.

O Benefact (was All Churches) Trust grant

This grant has been included at £219k confirmed as part of on-going reduction in their annual grants.

P Summary and recommendations

This is the draft budget for 2023 and will be revised considering emerging 2022 results mid-year, and any changes in Deanery deployment, but as usual we would not expect parish share to deaneries to increase beyond the levels being proposed alongside this Budget.

Diocesan Synod is invited to note the draft 2023 budget.

John Orridge, May 2022.

OXFORD DIOCESAN BOARD OF FINANCE									
2023 Draft Budget presented to Bishop's Council May 2022									
	Draft Budget 2023			Revised 2022 Forecast			Favourable / (Adverse) Variance		
	Costs	Income	Net	Costs	Income	Net	Net	Net	
	£000	£000	£000	£000	£000	£000	£000	%	
Parochial stipends	(10,074)		(10,074)	(9,676)		(9,676)	(398)	(4.1)%	
National Insurance and Apprenticeship levy	(990)		(990)	(848)		(848)	(142)	(16.7)%	
Pension contributions	(2,466)		(2,466)	(3,205)		(3,205)	739	23.1 %	
Total parochial stipends, NICs and pensions	(13,530)	-	(13,530)	(13,729)	-	(13,729)	199	1.4 %	
Parochial Fees		950			950				
Other income (contributions to stipends)		166			135				
Statutory fees and other contributions to stipends		1,116	1,116		1,085	1,085	31	2.9 %	
Bishops and Archdeacons offices costs	(575)	-	(575)	(570)	-	(570)	(5)		
Other parochial ministry costs	(985)		(985)	(967)		(967)	(18)		
Ordination & First Appointment grants	(100)		(100)	(100)		(100)	-		
Grants to clergy	(140)		(140)	(140)		(140)	-		
Bishops Discretionary funds	(21)		(21)	(21)		(21)	-		
Building grants	(35)		(35)	(35)		(35)	-		
Ministerial oversight and grants	(1,856)	-	(1,856)	(1,833)	-	(1,833)	(23)	(1.3)%	
Glebe costs /income	(737)	5,176	4,439	(736)	5,045	4,309	130	3.0 %	
National Church - Central Fund for Training	(919)		(919)	(919)		(919)	-	0.0 %	
Buildings-Repairs	(2,052)		(2,052)	(1,915)		(1,915)	(137)		
Council Tax, Water ,Insurance etc.	(1,549)		(1,549)	(1,491)		(1,491)	(58)		
Rental costs and Housing allowances	(479)		(479)	(479)		(479)	-		
Staff costs and Administration	(521)		(521)	(551)		(551)	30		
Lettings costs / income	(65)	913	848	(65)	875	810	38		
Schools surveys	(10)	110	100	(10)	110	100	-		
Other income		11	11		11	11	-		
Total Buildings expenditure & income	(4,676)	1,034	(3,642)	(4,511)	996	(3,515)	(127)	(3.6)%	
Head 1 Parochial Ministry	(21,718)	7,326	(14,392)	(21,728)	7,126	(14,602)	210	1.4 %	
Services to Parishes									
DAC	(269)	1	(268)	(266)	1	(265)	(3)	(1.1)%	
MPC	(66)		(66)	(65)		(65)	(1)	(1.5)%	
DTOL/Governance & projects	(52)		(52)	(53)		(53)	1	1.9 %	
	(387)	1	(386)	(384)	1	(383)	(3)	(0.8)%	
Finance, Compliance and Secretariat	(510)	197	(313)	(518)	197	(321)	8	2.5 %	
Legal and Chancellor	(222)		(222)	(216)		(216)	(6)	(2.8)%	
Head 2 Administration	(1,119)	198	(921)	(1,118)	198	(920)	(1)	(0.1)%	
Cash & Deposits		40			40				
Loans		8			8				
Interest		48	48		48	48	-		
Trust income		9	9		9	9	-		
All Churches Trust Grant		219			232				
Other Income		14			14				
All Churches Trust grant & sundry income		233	233		246	246	(13)	(5.3)%	
Head 2 Finance	-	290	290	-	303	303	(13)	(4.3)%	
Head 2 Administration and Finance	(1,119)	488	(631)	(1,118)	501	(617)	(14)	(2.3)%	
Department of Mission & Ministry	(2,012)	87	(1,925)	(2,003)	103	(1,900)	(25)	(1.3)%	
Board of Education grant	(275)		(275)	(269)		(269)	(6)		
University appointments & Ecumenical Grant	(81)		(81)	(75)		(75)	(6)	(8.0)%	
PACT grant	(95)		(95)	(95)		(95)	-		
Council for the Deaf general grant	(7)		(7)	(7)		(7)	-		
Grants: ODCD & PACT	(102)		(102)	(102)		(102)	-	FALSE	
Communications department	(345)	20	(325)	(311)	20	(291)	(34)		
Partnership in World Mission	(68)	-	(68)	(73)	-	(73)	5	6.8 %	
Pioneer Minister	-	-	-	-	-	-	-	0.0 %	
Head 3 Mission in the Diocese	(2,883)	107	(2,776)	(2,833)	123	(2,710)	(66)	(2.4)%	
Head 4 National Church - Votes 2-5	(1,127)		(1,127)	(1,105)		(1,105)	(22)	-	
Parish Share- gross budget requirement		20,240	20,240		20,240	20,240	-		
-share adjustment for capping		-	-		-	-			
-anticipated under collection		(810)	(810)		(1,012)	(1,012)	202		
- received re previous years		-	-		-	-			
- rebates		(503)	(503)		(541)	(541)	38		
Head 6 Net Parish Share		18,927	18,927		18,687	18,687	240	1.3 %	
Total costs and income	(26,847)	26,848		(26,784)	26,437				
Surplus / (Deficit) for the year			1			(347)	348		
Key Assumptions:			2023			2022			
Annual increase in Parish Share on prior year			0.00%			0.00%			
Stipendiary clergy & layworkers posts			309.13			309.13			
Curates in training - expected average nos			59			60			
Average clergy vacancies			26			26			
Stipend increase from 1 April each year			3.0%			2.0%			
Stipend increase from 1 September			0.0%			1.0%			
Salary cost increase from 1 Sept each year			3.0%			3.0%			
Annual increase in clergy housing repairs			15.0%			0.0%			
Clergy pension contribution rate			28.0%			36.0%			
Staff defined benefit contribution rate for old scheme			16.5%/15.5%			30.1%			
Staff defined contribution rate for new scheme			12.5%			12.5%			
Share capping ceiling			2.0%			0.0%			
Share capping floor			-2.0%			-1.0%			
Anticipated share under collection rate			4.00%			5.00%			

Proposed change in presentation of budget

Context

There has been an historic inconsistency in presentation of the budget/cost of ministry between the budget model, the Share model and the Statutory Accounts. This has led to confusion and, in some cases, challenges from various parties concerning a lack of transparency within our reports/presentations.

For example, Church House costs are allocated into departmental cost centres and are not shown separately anywhere within the model.

External challenges continue around Church House costs/posts and meeting those challenges is not helped by that lack of transparency (for example, the challenge to defend becomes the number of 'faces' on the Diocesan websites even though many of those were not even staff of the Diocese).

Proposal

The proposed structure set out below follows several discussions between the DBF Chair, Diocesan Secretary & myself to link the budget cost centres to activities undertaken by using the statutory accounts headings:

- Resourcing Ministry & Mission
- Support of Ministry & Mission
- National Church costs
- Grants
- Support costs

Resourcing of Ministry & Mission are those costs most directly related to placing clergy into their Parishes. It includes training costs, glebe income (as this is restricted to stipends, etc) and related net property costs. Arguably, the direct costs of providing ministry.

Support of Ministry & Mission costs are those activities that can be linked to providing support the Parishes in their mission. This includes ministerial management costs, Mission & Ministry staff, Safeguarding, Communications, Clergy Conference, etc.

National Church costs are for votes 2-5 only. Vote 1 (Ordinand pooling) costs are included within Resourcing Ministry & Mission.

Support costs are those departments (Secretariat, Finance, HR, ICT, facilities & Governance) that historically have been apportioned into the other departments. Within the revised structure they are shown gross and then apportioned in Resourcing, Support & Grants based on fte headcount, which is also disclosed.

Bishop's Council would like to think Diocesan Synod will welcome this new presentation, but if there are any concerns please advise John Orridge.

	2022 Budgeted			2022 Final			2023 Budgeted			2023 Draft v3 (4 May 22)					
	Headcount	FTE	Costs	Income	Net	Headcount	FTE	Costs	Income	Net	Headcount	FTE	Costs	Income	Net
	No.	No.	£000	£000	£000	No.	No.	£000	£000	£000	No.	No.	£000	£000	£000
Resourcing Ministry & Mission															
Parochial stipends			-9,576	0	-9,576			-10,073	0	-10,073			-10,073	0	-10,073
National Insurance and Apprenticeship levy			-905	0	-905			-990	0	-990			-990	0	-990
Pension contributions			-3,485	0	-3,485			-2,466	0	-2,466			-2,466	0	-2,466
Total parochial stipends, NICs and pensions			-13,966	0	-13,966			-13,529	0	-13,529			-13,529	0	-13,529
Parochial Fees			0	950	950			0	950	950			0	950	950
Other income (contributions to stipends)			0	135	135			0	166	166			0	166	166
Glebe costs /income		1.83	-677	5,045	4,368			-680	5,176	4,496			-680	5,176	4,496
Statutory fees and other contributions to stipends			-677	6,130	5,453			-680	6,292	5,612			-680	6,292	5,612
Bishops and Archdeacons offices costs		4.31	-201	0	-201			-207	0	-207			-207	0	-207
Other parochial ministry costs			-381	0	-381			-380	0	-380			-380	0	-380
Grants to clergy			-140	0	-140			-140	0	-140			-140	0	-140
Bishops Discretionary funds			-21	0	-21			-21	0	-21			-21	0	-21
Building grants			-35	0	-35			-35	0	-35			-35	0	-35
Ministerial oversight and grants			-778	0	-778			-783	0	-783			-783	0	-783
Ministry Training Costs															
Pre-ordination costs:															
National Church - Central Fund for Training			-919	0	-919			-919	0	-919			-919	0	-919
M&M: Vocations & DDO		4.23	-803	9	-794			-811	9	-802			-811	9	-802
Ordination & First Appointment grants			-100	0	-100			-100	0	-100			-100	0	-100
			-1,822	9	-1,813			-1,830	9	-1,821			-1,830	9	-1,821
Post ordination & Lay Ministry Training:															
M&M: Formation for Ministry		8.69	-620	93	-527			-635	77	-558			-635	77	-558
Total Ministry Training costs			-2,442	102	-2,340			-2,465	86	-2,379			-2,465	86	-2,379
Buildings															
Buildings-Repairs			-1,915	0	-1,915			-2,052	0	-2,052			-2,052	0	-2,052
Council Tax, Water, Insurance etc.			-1,491	0	-1,491			-1,549	0	-1,549			-1,549	0	-1,549
Rental costs and Housing allowances			-479	0	-479			-479	0	-479			-479	0	-479
Staff costs and Administration		6.77	-413	0	-413			-390	0	-390			-390	0	-390
Lettings costs / income			-65	875	810			-65	913	848			-65	913	848
Schools surveys			-10	110	100			-10	110	100			-10	110	100
Other income			0	11	11			0	11	11			0	11	11
			-4,373	996	-3,377			-4,545	1,034	-3,511			-4,545	1,034	-3,511
Apportionment of support costs (FTE - not including support posts)			-842		-842			-828		-828			-828		-828
Total Resourcing Parish Ministry		25.83	-23,078	7,228	-15,850			-22,830	7,412	-15,418			-22,830	7,412	-15,418
Support for Parish Ministry															
Bishops and Archdeacons offices costs		4.31	-201	0	-201			-207	0	-207			-207	0	-207
Mission & Ministry: Management & support		4.9	-261	1	-260			-265	1	-264			-265	1	-264
Mission & Ministry: Clergy Conference			-15	0	-15			-15	0	-15			-15	0	-15
Communications		3.7	-238	20	-218			-275	20	-255			-275	20	-255
DAC		4.2	-220	0	-220			-226	0	-226			-226	0	-226
MPC		1	-49	0	-49			-50	0	-50			-50	0	-50
DTOL/Governance & Projects			-16	0	-16			-16	0	-16			-16	0	-16
Safeguarding		5.82	-354	0	-354			-382	0	-382			-382	0	-382
All Churches Trust & Sundry Income			0	303	303			0	290	290			0	290	290
ODBF Admin			-113	197	84			-111	197	86			-111	197	86
Apportionment of support costs (FTE - not including support posts)			-780	0	-780			-767	0	-767			-767	0	-767
Total Support for Parish Ministry		23.93	-2,247	521	-1,726			-2,314	508	-1,806			-2,314	508	-1,806
Our share of National Church costs (votes 2 - 5)															
			-1,105	0	-1,105			-1,127	0	-1,127			-1,127	0	-1,127
Grants															
Board of Education grant			-269	0	-269			-275	0	-275			-275	0	-275
University appointments & Ecumenical Grant		1.5	-75	0	-75			-82	0	-82			-82	0	-82
PACT grant			-95	0	-95			-95	0	-95			-95	0	-95
Council for the Deaf general grant			-7	0	-7			-7	0	-7			-7	0	-7
Grants: ODCD & PACT			-102	0	-102			-102	0	-102			-102	0	-102
Partnership in World Mission			-73	0	-73			-68	0	-68			-68	0	-68
Apportionment of support costs (FTE - not including support posts)			-49	0	-49			-48	0	-48			-48	0	-48
Total Grants Expenditure		1.5	-568	0	-568			-575	0	-575			-575	0	-575
Support Costs (memo only - apportioned into key budget heads)															
Secretariat		3.01	-205		-205			-215		-215			-215		-215
Finance		7.35	-404		-404			-383		-383			-383		-383
HR		5.34	-282		-282			-294		-294			-294		-294
Governance costs			-216		-216			-222		-222			-222		-222
ICT		0.88	-266		-266			-227		-227			-227		-227
Church House facilities		2.51	-298		-298			-302		-302			-302		-302
Total Support Costs		19.09	-1,671	0	-1,671			-1,643	0	-1,643			-1,643	0	-1,643
Parish Share															
Parish Share - gross request			0	20,240	20,240			0	20,240	20,240			0	20,240	20,240
-anticipated under collection			0	-1,012	-1,012			0	-810	-810			0	-810	-810
-rebates			0	-541	-541			0	-503	-503			0	-503	-503
Net Parish Share			0	18,687	18,687			0	18,927	18,927			0	18,927	18,927
-Vacancy provision			0	0	0			0	-170	-170			0	-170	-170
Adjusted Parish Share			0	18,687	18,687			0	18,757	18,757			0	18,757	18,757
Core budget (deficit)/surplus		0	-26,997	26,436	-561		69	-26,846	26,677	-169			-26,846	26,677	-169