

**DERBY DIOCESAN BOARD OF FINANCE
LIMITED**

**BUDGET 2016
AND
FORECASTS 2017 & 2018**

DERBY DIOCESAN BOARD OF FINANCE LTD
BUDGET 2016 AND FORECASTS 2017 & 2018

Our Vision

Christ's presence in every community



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DERBY DIOCESAN BOARD OF FINANCE LTD
BUDGET 2016 AND FORECASTS 2017 & 2018

FOREWORD

"For they gave according to their means, as I can testify, and beyond their means, of their own accord, begging us earnestly for the favour of taking part in the relief of the saints"

2 Corinthians 8 3-4

Earlier this year many of you will have taken part in the Common Fund Review consultations as we undertook to look at a new way of raising the Common Fund. Part of that review process considered how parishes can be generous in their giving in response to God's grace.

The Common Fund is each parish's support of the common mission and ministry *across the whole diocese*. It remains the most significant source of our income and without it we would not be able to pay for local mission and ministry. What is most important is that parishes are not asked to "pay for what they get" but to contribute to the Common Fund in support of *all* parishes – *everyone pays and everyone receives* – and be encouraged to give generously beyond this.

Our diocese is one of many that receives substantial support from the National Church. The way in which National Church funding is shared out to dioceses and the amount available is changing. This is in response to the General Synod Report "Resourcing the Future of the Church of England" which has made recommendations about the way in which National Church funds will be distributed to dioceses. There will be a move away from the current formula system for providing income to most dioceses, replacing this with targeted investment in plans for growth. Whilst we will see a decline in ongoing National Church funding, there will be opportunity to apply for, on a match-funding basis, funding for pro-active investment in growth. In response, we have ear-marked funds in a Church Growth Fund in order that we can be ready to respond.

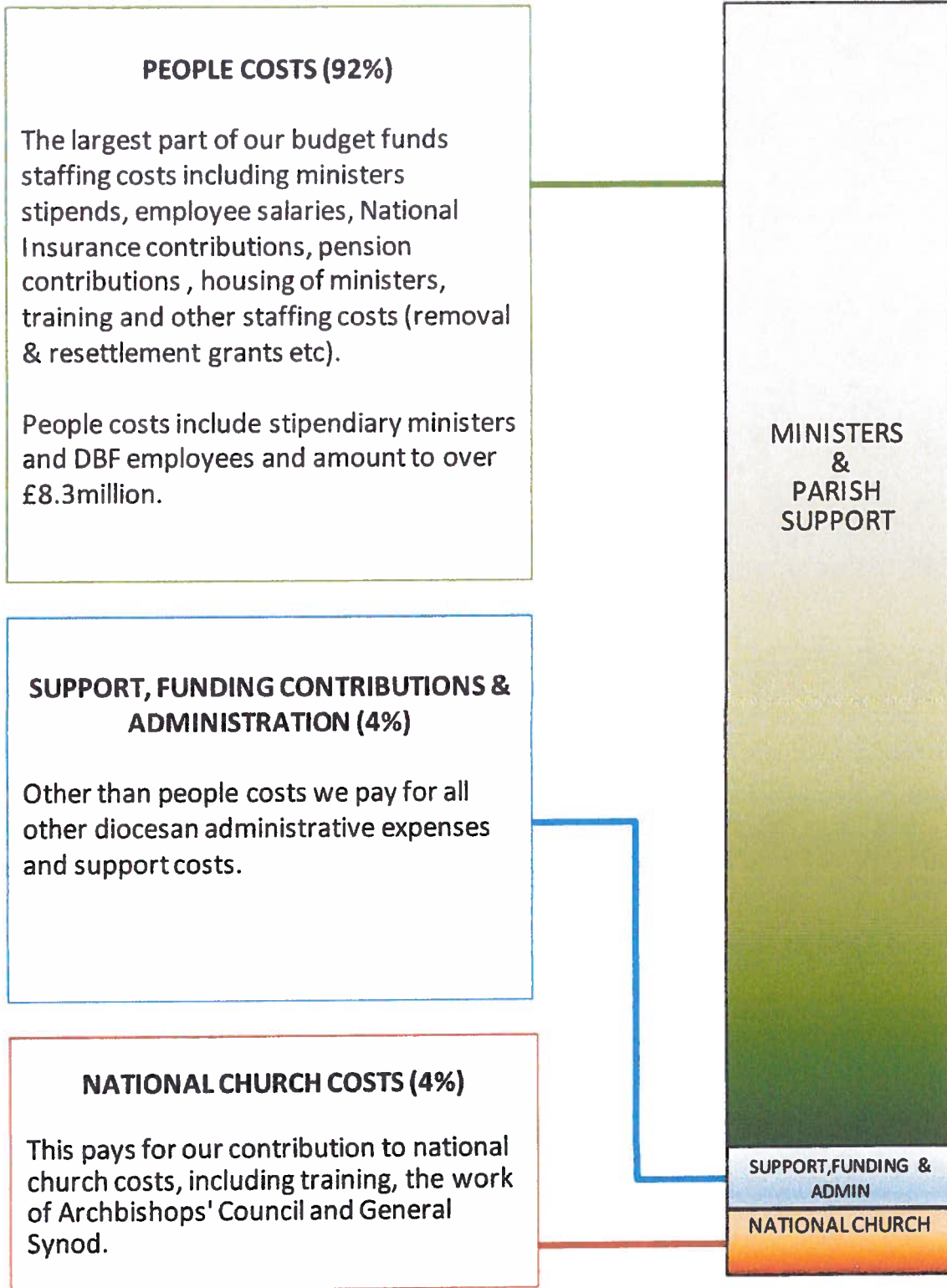
In last year's Foreword I noted that as a diocese we do have to place less reliance on historic income and look for new income streams. You will see in this budget document that we have taken steps again to improve investment returns and we continue to look for new opportunities to raise income.

The recruitment of our Parish Resource Officers will help encourage Church Members individually and corporately to think about their own giving through the 'Giving in Grace' programme. 'Giving in Grace' will help to teach all of us to put into practice Christian Giving in response to God's love and for the work and mission of the Church in our diocese and beyond.

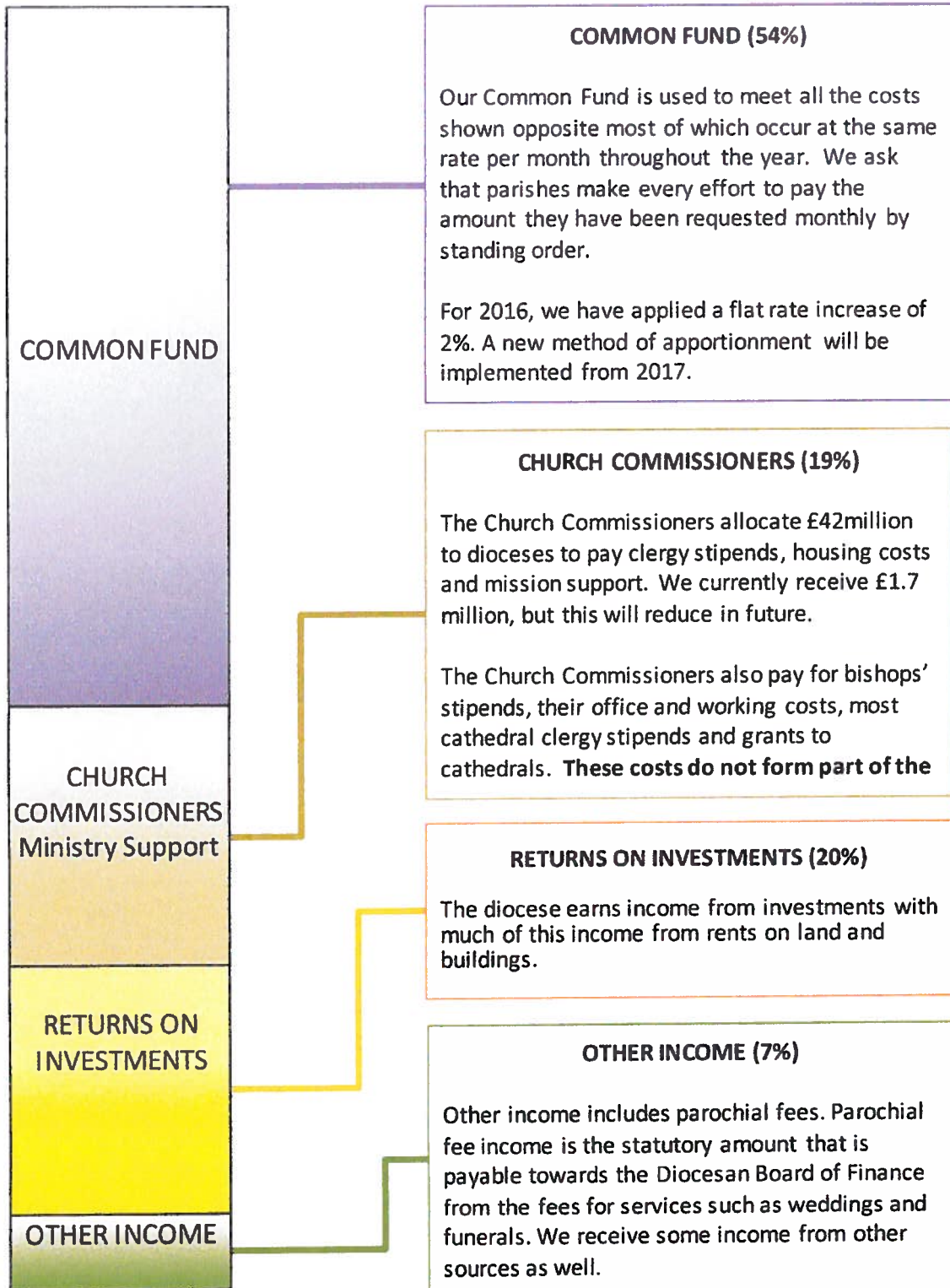
David Meredith
Director of Finance

September 2015

BUDGET 2016 - WHERE THE MONEY WILL GO...



BUDGET 2016 - WHERE WILL THE MONEY COME FROM...



BUDGET OVERVIEW

Last year I reported that the aim was to achieve a break even position (spending no more than is received) in our annual budgets over a 3-year period from 2015 to 2017. Much has changed since the 2015 budget was approved, including:

- changes to the way in which the National Church – those funds managed by the Church Commissioners - will provide support to dioceses,
- a review of diocesan safeguarding policy and procedure, and
- a further review of financial investment strategy with our investment managers

Funding from the National Church will have an impact on our diocese which will see a reduction in 2017 and in response to this, and the changing financial landscape, the aim in the 2016 budget plan is to break even. Inevitably there have had to be some reductions in expenditure plans in order to achieve this a year earlier than originally planned, but this will put the Board of Finance in a far better place to respond to further financial challenges. A new stream of Strategic Funding is being made available by the National Church which will be subject to bids from dioceses. Whilst this is not reflected in budget plans at present, there will be opportunities to secure funding from this source for proactive investment in significant opportunities for growth. We have, therefore, created a new designated "Church Growth Fund" so that we are prepared with support from diocesan funds.

People Costs

This budget provides for the number of office holders and employees expected to be in post, with a provision for vacancies. It does not reflect the numbers in our actual deployment plans.

The Church of England is stepping up its work in respect of safeguarding and national policy has been revised. A review of diocesan safeguarding policy and practice has made recommendations that will enable the diocese to meet its legal and statutory obligations, including the recruitment of two additional part-time Safeguarding Officers. Previously, support for safeguarding had been undertaken by a consultant to the diocese and there will be an increase in costs, but the question for consideration as posed by the Review should not be 'can we afford to implement these proposals' but rather 'can we afford not to?'

Common Fund

The overall 2016 Common Fund increase is 2.0% on average for the whole diocese. Once again, this will be applied as a flat rate increase. A new method of apportionment of Common Fund will be introduced in 2017 and more information will be made available in due course.

Our Common Fund is wholly used to meet people costs which the Diocesan Board of Finance (DBF) is committed to paying monthly throughout the year. We ask that parishes make every effort to pay the Common Fund amount they have been requested by monthly standing order. We do recognise that there will be circumstances where individual parishes will not be able to meet the full amount of Common Fund requested due to events out of their control. A provision for such events is reflected in the amount included in the 2016 budget.

Investment returns

A further strategic review of our financial investment policy, after seeking the advice of our investment managers, has seen an improvement in annual income from our portfolio of financial investments. Maximising the use of restricted income funds, where the restriction permits, has also helped to increase funding.

Developing deaneries

Provision has been included in the 2016 budget for deanery support.

PLANNING BEYOND 2016

The aim of Bishop's Council must be to ensure that financial plans are in step with the ability to raise income and that spending plans are affordable.

National Church funding from the Church Commissioners

In February 2015, General Synod considered the Report of the Task Force on Resourcing the Future of the Church of England (GS 1978). This paper and its implications were presented to a number of members of Diocesan Synod in May 2015. As a diocese we do benefit from substantial support (19% of our total income) from the Church Commissioners. The way in which this is shared out by formula to dioceses is changing and we will see a reduction in this support from 2017. Mission Development Funding will cease altogether. We will however have the opportunity to bid in for funding for proactive investment in significant opportunities for growth.

The Budget Summary page (page 6) includes additional annual forecast information for 2017 and 2018.

Future annual budget setting will:

- target an annual increase in total Common Fund of no more than 3% (or inflation if this is higher), and continue to support parishes to achieve 100% payment of share,
- review the number of stipendiary ministers and DBF employees and maximise the effective use of staffing costs, including ongoing staff reviews,
- meet our responsibilities for ensuring an adequate clergy remuneration package, including pension costs, according to future national decisions,
- continually review the number of stipendiary posts according to diocesan deployment plans, the numbers available and the cost of provision,
- seek ways to make provision for ongoing funds in the 'Church Growth Fund' to resource creative growth projects which fit with our mission priorities,
- support the Diocesan Board of Education as it develops the appropriate response to the challenges it faces and
- have regard for finances over a three-year planning cycle maintaining 'break even' budgets and spending no more than is received.

KEY BUDGET 2016 AND FORECAST 2017 & 2018 ASSUMPTIONS

	Budget 2016	Forecast	
		2017	2018
Provision for increase in stipends	2.0%	2.0%	2.0%
Provision for increase in staff salaries	2.0%	2.0%	2.0%
Inflation for non-staff costs	1.0%	2.0%	2.0%
Average Common Fund increase	2.0%	2.0%	2.0%
Number of people (full time equivalent)	166.8	167	167

DERBY DIOCESAN BOARD OF FINANCE LTD BUDGET 2016 AND FORECASTS 2017 & 2018

BUDGET SUMMARY	2014 ACTUAL	2015 BUDGET REVISED	2016 BUDGET	2016 BUDGET	2017 FORECAST	2018 FORECAST
	£	£	£	%	£	£
INCOMING RESOURCES						
Common Fund	4,489,298	4,766,154	4,861,477	54.3	4,985,083	5,138,591
Church Commissioners						
Selective Allocation	1,565,385	1,550,290	1,551,085		-	-
Mission Development Funding	141,470	141,460	141,370		-	-
New Funding Stream	-	-	-		1,505,000	1,495,000
	<u>1,706,855</u>	<u>1,691,750</u>	<u>1,692,455</u>	18.9	<u>1,505,000</u>	<u>1,495,000</u>
Returns on investments						
Income from land & buildings	267,569	264,695	270,168		275,572	281,083
Financial investment assets	1,076,307	1,313,113	1,473,905		1,509,422	1,534,584
	<u>1,343,876</u>	<u>1,577,808</u>	<u>1,744,073</u>	19.5	<u>1,784,994</u>	<u>1,815,667</u>
Other income						
Parochial fees, chaplaincy & other income	432,745	426,930	450,230		459,235	468,420
Donations & grants	136,729	168,581	181,581		188,390	195,455
	<u>569,474</u>	<u>595,511</u>	<u>631,811</u>	7.1	<u>647,625</u>	<u>663,875</u>
TOTAL INCOMING RESOURCES	<u>8,109,503</u>	<u>8,631,223</u>	<u>8,929,816</u>	99.8	<u>8,922,702</u>	<u>9,113,133</u>
RESOURCES EXPENDED						
Ministerial Staffing						
Stipends & salaries	3,469,480	3,591,158	3,611,275		3,683,813	3,757,749
Employers' National Insurance	280,262	285,886	300,586		305,507	311,617
Pension contributions	1,204,344	1,280,338	1,267,477		1,293,081	1,318,943
Housing costs	1,036,990	1,149,025	1,218,234		1,248,912	1,280,432
Other staffing costs	135,961	161,440	170,698		166,900	170,240
	<u>6,127,037</u>	<u>6,467,847</u>	<u>6,568,270</u>		<u>6,698,213</u>	<u>6,838,981</u>
Contributions to ministry costs	(16,878)	-	(116,513)		(118,843)	(121,220)
	<u>6,110,159</u>	<u>6,467,847</u>	<u>6,451,757</u>	72.1	<u>6,579,370</u>	<u>6,717,761</u>
Parish Support						
Funding Contributions and Other Sector Support	629,071	617,154	645,091		447,135	455,721
Diocesan Secretary & Office Support	457,601	502,590	516,272		531,022	544,466
Mission & Ministry	455,985	551,331	526,285		540,704	551,438
Human Resources, Safeguarding & Communications	194,545	198,075	280,920		285,518	291,228
Property & DAC	58,476	93,387	99,632		101,625	103,659
Finance & Parish Resources	98,630	168,029	201,505		205,536	209,647
Deanery Development	38,804	87,426	75,907		77,420	78,970
Ministerial staffing costs included above	(127,366)	(250,861)	(275,007)		(281,466)	(288,054)
	<u>1,805,746</u>	<u>1,967,131</u>	<u>2,070,605</u>	23.1	<u>1,907,494</u>	<u>1,947,075</u>
National Church						
Training for ministry (Vote 1)	180,835	181,636	186,934		191,607	196,397
National Church (Vote 2 - 5)	220,699	223,124	230,800		235,416	240,124
General Synod members' expenses	7,257	8,206	8,370		8,454	8,539
	<u>408,791</u>	<u>412,966</u>	<u>426,104</u>	4.8	<u>435,477</u>	<u>445,060</u>
TOTAL RESOURCES EXPENDED	<u>8,324,696</u>	<u>8,847,944</u>	<u>8,948,466</u>	100.0	<u>8,922,341</u>	<u>9,109,896</u>
TRANSFER TO/(FROM) RESERVES	<u>(215,193)</u>	<u>(216,721)</u>	<u>(18,650)</u>	0.2	<u>361</u>	<u>3,237</u>

NOTE:

- The Common Fund amount included in the 2016 budget amounts to 94% of the total requested

DERBY DIOCESAN BOARD OF FINANCE LTD

NOTES ON 2016 BUDGET

MINISTRY COSTS

1. The elements, including the stipend, making up the cost of a stipendiary incumbent and the cost of a stipendiary curate:-

	2016		2015	
	Stipendiary Incumbent	Stipendiary Curate	Stipendiary Incumbent	Stipendiary Curate
	£	£	£	£
Stipend	26,190	24,043	25,673	23,575
National Insurance (employer's share)	2,121	1,947	2,006	1,910
Pension and death-in-service benefits	9,231	9,231	9,048	9,048
Average housing costs	8,088	8,088	7,816	7,816
Training costs	776	776	762	762
Other staffing costs	1,228	1,228	1,145	1,145
Total cost per post	47,634	45,313	46,450	44,256

In addition to the training costs shown above, the Board meets the costs of future ministry totalling £306,934 including National Church training costs and financial support grants to ordination candidates.

2. The Archbishops' Council, as the Central Stipends Authority (CSA), sets annually a national stipend benchmark, and adjusts this for regional variations in the cost of living for incumbents and other ministers of similar status. The Board's policy on the payment of stipends based on a local scale which is subject to review by Bishop's Council. **Provision for an increase in stipend of 2% has been included in the 2016 budget.**
3. The remuneration of the Diocesan Bishop, the Suffragan Bishop, the Dean and some cathedral clergy are met in full and paid directly by the Church Commissioners. There is no cost for these posts on the diocesan budget.
4. The average housing costs are for routine maintenance and the cost of refurbishment only. Each house is fully maintained with a view to ensuring that the total residual value is not less than the amount stated in the Board's annual financial statements.
5. The budget incorporates provision for taxable housing allowances payable by the Board to stipendiary ministers required to live in their own house, and Common Fund credits for Parochial Church Councils (PCCs) housing stipendiary assistant clergy in PCC owned property. The amount set aside for council tax payable by the Board of Finance totals £306,927 in the 2016 budget.
6. The average housing cost of a "house for duty" NSM, occupying a parsonage house amounts to £8,088 per annum as in the table above.

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NOTES ON 2016 BUDGET

NUMBER OF PEOPLE

7. The number of office holders and employees can be broken down as follows:

FTE = Full Time Equivalent	2016	2015 revised
	FTE	FTE
Ministerial Staff		
Archdeacons	2.00	2.00
Stipendiary ministers (incumbent status)	116.00	119.50
Stipendiary curates (training curacies)	24.00	24.00
Pioneer ministers	4.00	4.00
Mixed economy ministry	2.50	3.00
Parish Support Staff		
Diocesan Secretary & support		
Diocesan Secretary	1.00	1.00
Support staff (note 9(i))	10.70	11.00
Mission & Ministry	6.50	6.50
Human Resources, Communications & Safeguarding (note 9(ii))	4.00	2.00
Property & DAC	3.80	3.80
Finance & Parish Resources (note 9(iii))	4.30	3.60
Deanery Administrators	2.00	2.25
Budget assumed number of vacancies in posts	-14.00	-14.50
Total number of people	166.80	168.15

DBF EMPLOYEES

8. Remuneration for employees comprises the salary (or wage), national insurance (employer's share), and pension contribution. The gross staffing costs included in the budget for the year 2016 include provision for possible pay scale increases. A provision for a cost of living increase in salaries of 2% has been included in the budget. **A decision about payment of an increase will not be taken until March 2016.**
9. (i) Payment is received from the Church Commissioners for the remuneration of the Suffragan Bishop's Personal Assistant, an employee of the DBF (1.0 FTE).
- (ii) Diocesan Safeguarding Adviser on a consultancy basis in 2015 budget and as an employee in 2016, increasing number of posts by 1.0 FTE.
- (iii) A contribution is received from the Diocesan Board of Education to finance part of the remuneration cost of Finance staff.

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NOTES ON 2016 BUDGET

DBF EMPLOYEES (continued)

10. The Board operates a defined benefit pension scheme in respect of 1 former member of staff and the Scheme is closed to new entrants.

For eligible employees the Board contributes 10% of salary to a defined contribution pension scheme nominated by the employee.

NON-STAFF COSTS AND INCOME

11. At the time of preparation of the 2016 budget, the latest available figure for the Consumer Prices Index (CPI) was 0.0% (June 2015). An increase of 1.0% has been provided for increases in budgets for non-staff costs. Each budget holder is expected to contain expenditure within their budget by, if necessary, changing priorities.

Interest on cash deposits has been assumed at 0.45% per annum on Central Board of Finance deposit fund accounts in 2016.

FOR MORE INFORMATION ON...

1. Giving in Grace, please contact:

Parish Resource Officers

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david.mundy@derby.anglican.org

2. Mission Action Plans:

Church Growth Officers

lee.townend@derby.anglican.org

jason.kennedy@derby.anglican.org

3. Diocesan and parish finance, please contact:

Director of Finance

david.meredith@derby.anglican.org

OUR WEBSITE

www.derby.anglican.org