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# Budget Proposal

## 2023

Diocesan Synod

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JUNE 9 2022

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Winchester Diocese Board of Finance  
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# Financial Overview

## Budgeted General Fund Statement of Financial Activities For the year ended 31 December 2023

### Macro-Economic Context

Economists are having a really tough time predicting the future post the economic and health crisis being experienced worldwide. The broad views are:

- Economic growth will be slower, especially in Europe and the UK
- The forecast spike in inflation is still getting higher but is expected to peak by the end of this year
- Monetary policy tightening may be more gradual than previously forecast but will continue and interest rates are expected to rise by at least 1%. Interest rates are expected to be lower than inflation rates
- Rising interest rates are challenging for investment valuations, especially fixed interest rates
- Geopolitical and policy uncertainty is likely to cause continued volatility and divergence between markets

What does this mean for the Diocese, parishes and wider communities?

- Inflationary pressures will affect us all at varying levels with the rising CPI index which is largely influenced by energy prices.
- Operating/living expenses will rise, and it will be difficult to match inflation with a cost-of-living increase. Some expenses are expected to increase by as much as 10% and the budgetary increase for lay and ordained staff is 3% plus an energy allowance of £1,000 per person per year.
- Increasing expenditure places even more pressure on the ability to pay CMF, to ease the burden of this CMF is proposed to decrease in 2023, compared to the last three years.
- Increasing interest rates may increase investment income, however as the BoE rate rises so too does the rate on Parish Loans, therefore all lending rates will also increase.

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## Financial Strategic Framework

A combination of complex recent events has meant we have not yet been able to consider a detailed new finance strategy for our diocese. Budgeting for CMF in particular has never been harder. As well as the huge uncertainty and challenge caused by the current economic climate and cost of living increases, we are still unclear of the true impact on PCC finances of the last few years in our diocese. Covid, reduced clergy headcount, and the long-term impact on our regular attendance are still all unknown.

Our present priorities are therefore to focus on stabilising our finances post 2020/2021, the financial impact of the savings made, monitoring the new income from the housing strategy, and reassuring our stakeholders of our financial sustainability. The budget for 2023 is therefore offered within the following framework:

1. We will seek to adopt a one-year budget for 2023, providing a stable position based on our current expected income and agreed expenditure.
2. We will commit to no further cuts in clergy numbers for at least the next 12 months.
3. We acknowledge that in all likelihood, there will be a need to cover a sizeable deficit in 2023 from reserves due to the expected negative impact on CMF.
4. Once the 2023 budget is approved we will start a detailed process of preparing a financial plan for the next 3 to 5 years, assessing all areas of expenditure as well as conducting a detailed review of the potential (and risks) for funding mission and ministry through reserves, endowments, and restricted funds.

It is the clear hope that the 2024 –2026 financial plan will be a budget that is focused on sustainable growth, with clear aspirations for greater investment into parish ministry.

## Building the Budget

The proposed budget for 2023 comes to Diocesan Synod with the recommendation of your Finance Monitoring Group and your Bishop’s Council & Standing Committee. The starting point for developing the budget was to consider the following 5 questions which impact our main budget levers:

1. What CMF rate of increase/decrease should we ask the parishes for?  
We have set this as a decrease to £9.375m, 2.5% lower than the ask for 2022.
2. What CMF collection rate do we anticipate?
3. What is a realistic clergy vacancy rate that we should use in modelling the budget projections? We have set that at 116.5 incumbents, 27 curates and 1 archdeacon.
4. What cost of living allowance rates should be set for incumbents and curates?

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5. What cost of living allowance rates should be set for lay staff?

In addition to the above a rate of inflation for other expenses needed to be considered.

After much consideration and debate, it was agreed that three scenarios should be modelled exploring different answers to these 5 questions.

This work quickly led to a clear consensus on questions 3, 4 and 5 meaning most of our discussion with the Finance Monitoring Group and Bishop's Council related to the Common Mission Fund request. The CMF collection rate is as much about morale, trust, and engagement as it is about finances. Asking 'too much' (as we have arguably done in 2022) will result in parishes seeing the requests as unattainable, the process lacking credibility and many therefore begin to disengage, damaging the culture of mutual accountability that is core to the CMF process. Asking 'too little' will result in parishes that could afford to maintain their current contributions reducing their gifts, whilst others still struggle to increase. Ultimately both the Bishop's Council and Finance Monitoring Group concluded that a total request of £9.375m (the amount received in 2019) should be used.

## Budgeted General Fund Income and Expenditure Statement 2023

The proposed budget for 2023 is set out below. Synod will note that if the total CMF request is collected in full, it would lead to a balanced budget. In recommending this budget to the Synod however, both the Finance Monitoring Group and Bishop's Council believe this is highly unlikely to be achieved – with a collection rate of 93% being more realistic and achievable in the current economic uncertainty.

Although this means a significant deficit in 2023 can be expected, the Bishop's Council are clear that they do not believe now is the time to look for further savings and cuts to expenditure. They are therefore proposing to underwrite any such shortfalls from reserves and applicable restricted funds in 2023.

## General Fund Income and Expenditure Statement Summary

### Actual 2019 – 2021; Approved Budget 2022; Proposed Budget 2023

WDBF Full Year	Actual	Actual	Actual	Budget	Budget
	2019	2020	2021	2022	2023
	£'000	£'000	£'000	Approved	Proposal
Common Mission Fund - Budget	10,076	10,072	9,375	9,629	9,375
Less special considerations	(180)	(134)	(136)	(156)	(128)
Less uncollected CMF	(521)	(916)	(699)		
Net CMF Collected	9,375	9,022	8,540	9,473	9,247
Fees	482	421	445	375	400
Rental Income	828	894	1,087	882	750
Grants & Other Income	560	282	300	583	571
Investment Income	254	194	231	200	219
<b>Total Income</b>	<b>11,498</b>	<b>10,813</b>	<b>10,602</b>	<b>11,514</b>	<b>11,188</b>
<b>Resources Expended</b>					
Clergy Remuneration	5,697	5,827	5,443	5,877	5,246
Clergy Housing	1,929	1,396	1,559	1,505	1,693
Lay Staff Salaries	2,103	2,221	1,930	2,105	2,266
Other Expenses	1,018	1,347	1,024	1,208	1,195
National Church Responsibility	1,109	335	673	787	788
<b>Total Expenses</b>	<b>11,857</b>	<b>11,126</b>	<b>10,629</b>	<b>11,482</b>	<b>11,188</b>
<b>Actual/Budgeted Net Surplus/Deficit For the year</b>	<b>(358)</b>	<b>(314)</b>	<b>(27)</b>	<b>32</b>	<b>(0)</b>
<b>Potential Impact of CMF Under-collections</b>				<b>(481)</b>	<b>(656)</b>
<b>Potential Net Surplus/(Deficit) for the year</b>	<b>(358)</b>	<b>(314)</b>	<b>(27)</b>	<b>(450)</b>	<b>(657)</b>
<b>Potential Deficit Funding Options</b>					
Property Disposals		25	330		
<b>Deficit after Additional Income/Costs</b>	<b>(358)</b>	<b>(289)</b>	<b>303</b>	<b>(450)</b>	<b>(657)</b>
No of Established Posts (Ex AD)	138.5	138.5-116.5	116.5	116.5	117.5
Budgeted Average no of Incumbents	120.8	120.3	102.5	117.0	106.5
Average no of Curates		21	27	27	27
Vacancy rate				9.0%	9.4%
COLA Incumbents & Curates		0.0%	0.0%	3.0%	3.0%
COLA Lay Staff		2.0%	0.0%	2.0%	3.0%
CMF Collection rate	93.0%	89.6%	91.1%	95.0%	93.0%

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## Additional Information on Income and Expenditure Categories

### 1. Rental Income

Set to reduce as properties are sold via the real estate strategy and incumbent posts are filled.

### 2. Grants and Other Income

Includes the following

Details	2023
All churches trust grant	(126,718)
Solar Panel	(24,000)
Pember Trust inc (45) 1013S, 1499S, 1003D	(18,000)
Transfers - Schools Development Fund	(126,000)
Other Income	(65,000)
Clergy Houses fund	(131,660)
Winchester School of Mission Training Income	(80,068)
	<b>(571,446)</b>

### 3. Employees energy grant recommendation

The Bishop's Council have already agreed to provide energy grants to all stipendiary and house for duty clergy using a one-off grant from the Archbishops' Council and accrued income from the Diocesan Clergy Welfare Fund. They are also conscious of their duty of care to employed staff in the diocesan team and are therefore recommending an energy grant in the sum of £1,000 per member of staff be granted in 2023. This would be paid over the year via monthly salary and be subject to PAYE and National Insurance in the normal manner but would not attract a pension contribution.

### 4. Communication

This area of expense includes costs for the communications officer, and replacement for Luther Pendragon (cost is being maintained in the budget even though the contract will have ended until a decision on the way forward has been made) and website holding/creation costs.

### 5. National Church Votes 1-5

No inflationary increase has been applied, as per information received from the Church Commissioners.

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## Conclusion

In recommend the proposed Diocesan budget for 2023 to the Diocesan Synod, the Bishop's Council would like to note the following key points:

1. In recognition of the current economic uncertainty, and the financial pressures on our parishes and church members, the Common Mission Fund will be reduced from £9.67m in 2022 to £9.375m for 2023.
2. In addition to this, a budget of £130k will be specifically allocated to the CMF Special Consideration Application Process, to support Parishes that will struggle with CMF collection in 2023.
3. An additional £100k has been assigned to clergy house maintenance, to help offset the significant impact of inflation on the construction industry.
4. The recent announcement from the Church Commissioners regarding their next triennial budget means that our diocesan contributions to the National Church (Votes 1-5) have been frozen, with the Commissioners funding the increasing national costs.
5. A recent re-evaluation of the clergy pension fund has shown it is now in credit for the first time in decades. Our contribution rates have therefore reduced from 39.9% per stipendiary clergy post to 28%.
6. We cannot achieve growth and sustainability through further cuts to parochial ministry. Any deficit in the 2023 budget must therefore be offset using reserves and restricted funds etc. rather than seeking further clergy savings.

## Motion to Synod

**This Synod approves the Diocesan Budget for 2023, as set out in paper DS22/07 and authorises the Directors of the Winchester Diocesan Board of Finance to request a total of £9.375m in Common Mission Fund from our parishes to support the costs of mission and ministry of our diocese.**

**Lisa Streeter  
Finance Director  
June 2022**