

# Salisbury DBF Budget 2021

## Index

- 1 Introduction from the Chair**
- 2 Budget in summary**
- 3 Budget in detail**
- 4 Principal uncertainties and risks**
- 5 Flexing**
- 6 Cash and capital budget**
- 7 Profit and loss on sale of share houses**
- 8 Share allocation notification and discount**
- 9 Cost of Clergy**
- 10 What does share pay for ?**
- 11 Conclusion**

## **1. Introduction from the Chair**

The budget for 2021 has been delayed this year in order to enable us to monitor over as long a period as possible the emerging consequences of the coronavirus before committing to a budget for the year ahead.

Our income is significantly dependent upon the voluntary contributions of individuals and parishes through payment of Share, and whilst payments have borne up well so far in 2020 , it is clear that the impact of the pandemic will be long lasting and 2021 promises to be every bit as difficult for parishes and individuals as 2020.

Nonetheless the Diocesan Board of Finance has an ongoing responsibility for the payment of stipends, pensions, housing and support costs of up to 200 clergy across the diocese, as well as a support team and payments to national Church, and our annual grant to the Board of Education in part fulfilment of our Mission to Children and Young People.

The timing of the budget debate, delayed until Synod in October 2020, has deliberately been fixed to enable a discussion around options for the budget in the context of the 5 Year Financial Framework at Synod in September. We had a lively debate at and around September's meeting, with clear endorsement for the seven 'Principles' and a wide range of opinions shared.

The context of the 5 Year Financial Framework was previously discussed at Synod in February 2020 when it was resolved after debate to work to eliminate our deficit over a five-year period. The coronavirus has had an over-riding impact on that commitment but achieving a sustainable financial future for the Church in Salisbury Diocese has probably never been more urgent than it is today.

The recommended budget for 2021 is therefore set against a continuingly uncertain and extremely difficult background for our congregations, our clergy, our lay leaders, our volunteers, our staff and of course the country as a whole, but it is also being set in the certain knowledge that if we do not continue to fund mission and ministry within our diocese, it is at risk of being a further casualty of Covid 19.

The latest Church House figures show that attendance at church in our diocese at 2.3% per capita is the fourth largest of any diocese in the Church of England, and we also have the second highest clergy to population ratio.

Undoubtedly there is a correlation between the two and making substantial cuts to our frontline clergy would put us at risk of significant damage to church attendance, to pastoral care and to mission and ministry itself within our communities.

This budget therefore seeks just to fine-tune our clergy numbers, with a reduction of four in our stipendiary clergy (2%), while taking a harder look at Church House salaries, which subject to completion of 'Phase 2' of our Church House review, are targeted to reduce by 9.8% in the year ahead, with an ambition to reduce salaries further over the next five years.

During 2021 we will have to take a further look at stipendiary clergy numbers against the background of the work going on in deaneries to creatively re-imagine ministry at a local level, utilising the variety of gifts and experience we have within both our clergy and laity. That way we will ensure that any further reductions will be balanced against new ways of working and a commitment to a Christian presence within every community. Work includes that of vocations; the development of lay ministry; increasing training of pioneers and creating flexibility of posts.

On the income side, we note from national Church figures that in terms of giving as a percentage of income, Salisbury Diocese appears at no:36 out of the 41 dioceses, and with planned giving at £10 per person per week, we stand at 27 out of 41.

We are recommending holding the Share budget at the 2020 level, asking parishes to pay once again what they were asked for in 2020, and hoping that through their continued support and generosity, together with diligent and proactive management of costs, expenses and assets by all of us, we will be able to work within the current model of Mission and Ministry through 2021 whilst responding locally to developing new patterns of ministry to meet the needs of changing contexts.

We are also optimistic that by continuing to communicate clearly with all our stakeholders on financial matters, facilitated by technological and organisational improvements being implemented at Church House, we can encourage a gradual increase in financial support for our parishes that reflects our strong national position in terms of church attendance and clergy numbers.

We believe this will in turn facilitate the continued payment of Share by parishes at an appropriate level to enable us to continue to pay the stipend and support costs of our clergy who remain at the heart of Mission and Ministry across the diocese.

Underpinning the draft budget for 2021 are the seven key statements agreed by Diocesan Synod on 10 September 2021.

1. Trusting in God's provision, we remain committed to Christian ministry in every parish in the Diocese.
2. We are committed to eliminating our operational deficit and achieving sustainable finances by 2025.
3. Parish Share is fundamental to the diocesan budget and needs to cover the costs of parish ministry
4. We are committed to a stewardship renewal programme with a culture of giving and generosity.
5. We will press ahead with other forms of income generation as well, following the 2019 reviews.
6. Whilst the financial challenge is not immediately critical due to measures taken in 2020 to ensure stability, it is urgent and requires radical and imaginative action.
7. Ministry and mission have financial implications; without addressing total stipendiary clergy numbers and housing costs we are unlikely to balance the budget within five years.

In response to feedback the seven principles have been reworked as shown below:

Given that

- a) ministry and mission have financial implications and that, without addressing total stipendiary clergy numbers and housing costs, we are unlikely to balance the budget within five years,
- b) Parish Share is fundamental to the diocesan budget and needs to cover the costs of parish ministry, and
- c) whilst the financial challenge is not immediately critical due to measures taken in 2020 to ensure stability, it is urgent and requires radical and imaginative action,

trusting in God's provision, we are committed to

- 1 maintaining Christian ministry in every parish in the diocese,
- 2 eliminating our operational deficit and achieving sustainable finances by 2025,
- 3 a stewardship renewal programme further developing a culture of giving and generosity, and
- 4 pressing ahead with other additional forms of income generation following the 2019 reviews.

## 2. 2021 Budget in summary

### 2 a) The context and likely results for 2020

The 2021 budget is of course affected by what has happened in 2020. Clearly 2020 has been a very difficult year with income under threat as Salisbury Diocese and the wider community try to come to terms with the effects of Covid-19.

- The outcome of the financial year to 31<sup>st</sup> December 2020 is likely to be an operational deficit of £1.88m based on a 10% drop in Share contribution from the 96.7% predicted in the 2020 budget.
- To August 2020 the Share contribution is 6.5% down on 2019. Predictions from parishes show between a 10% and 15% drop in projected income overall for the year so a contribution rate of 86.7% for the year seems to be a reasonable projection.
- There have been some significant savings of expenditure - £375k for the six months to June 2020 mainly on property repairs and expenses. It is not expected that these savings will be matched in the six months from July to December 2020 as services resume but there is likely to be an overall drop in expenditure for the year.
- While CCLA investments have performed relatively well in 2020 recovering from sharp losses sustained earlier in the year, M&G have continued their downward trajectory and are only being kept as to sell them now would crystallise a significant loss and because they continue and are projected to have a good return on income.

### 2 b) Summary draft budget for 2021: likely outcome 2020 and original budget for 2020

#### Summary 2021 v 2020

	2021 Draft Budget	2020 Likely outcome	2020 Original Budget
	£,000	£,000	£,000
Income	11,811	11,322	12,765
Expenditure	13,710	13,202	13,846
<b>Operating Deficit</b>	<b>(1,899)</b>	<b>(1,880)</b>	<b>(1,081)</b>
P/L sale houses	(75)	-	180
Movement in investments	-	(2,000)	-
<b>Movement funds</b>	<b>(1,974)</b>	<b>(3,880)</b>	<b>(901)</b>

## 3. 2021 Budget in more detail

It may seem strange to be budgeting for a £1.89m deficit but this is in line with the 5-year plan as discussed at the September Diocesan Synod and strategy to reach breakeven by 2025.

### 3 a) Income

Projected income 2021	Note	2021		2020	
		Draft Budget	%	Original Budget	%
		£,000		£,000	
Share receipts	1	9,623	81%	10,339	81%
Grants and donations	2	434	4%	501	4%
Investment income	3	711	6%	774	6%
Parochial fees	4	367	3%	598	5%
Rental income	5	371	3%	363	3%
SDBF BC Ltd	6	211	2%	190	1%
Natl Church ref curates	7	94	1%	-	0%
<b>Total income</b>		<b>11,811</b>	<b>100%</b>	<b>12,765</b>	<b>100%</b>

#### Note 1 Share request

We recognise that it will be very difficult for parishes to maintain share payments during 2021 because of what has happened in 2020.

Our plan is **not to ask for any share increase in 2021** and to lower expectations of share receipts to 90% of the request.

Even 90% receipt will be a tough ask – it will be backed by a giving campaign with support from the diocese and by an undertaking from the diocesan finance team (with the help of a volunteer task force) to

- gain better understanding of parish finances in order to offer proactive help
- develop an accounting system to make parish accounting more accessible.

#### Share Income

	2021	2020
	Draft Budget	Original Budget
	£,000	£,000
Share request	10,692	10,692
% collection	90%	96.7%
<b>Expected receipt</b>	<b>9,623</b>	<b>10,339</b>

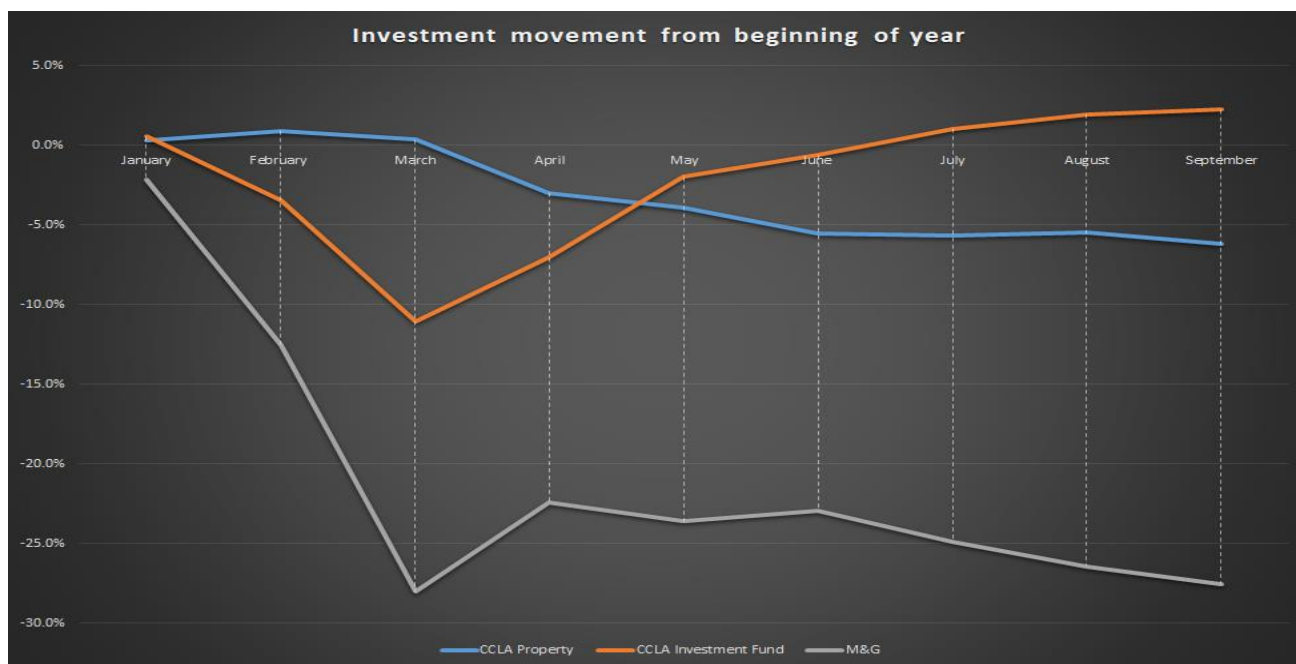
#### Note 2 Grants and donations

##### Grants and donations

	2021	2020
	Draft Budget	Original Budget
	£,000	£,000
3rd party stipend contributions	156	205
All Churches grant	136	141
National Church area offices	70	70
Donations income	30	40
Recharges of costs	21	24
Management fees	12	12
Bp office contribution	9	9
<b>Total grants and donations</b>	<b>434</b>	<b>501</b>

### Note 3 Investment income

The budget is based on projections from fund managers. The portfolio is under review to maximise income and capital growth. This is a tricky situation as the below graph shows. M&G has performed poorly in terms of its overall value based as it is on UK equities. CCLA investment fund has, on the face of it, done much better but M&G shares were bought for their income potential and selling these investments would a) crystallise a significant loss and b) would cause a significant drop in income in 2021 and future years. CCLA has been asked to review and comment on our investments under their new service offered free to dioceses.



### Note 4 Parochial fees

Fees based on projected outturn for 2020 recognising the uncertainty of the current situation.

### Note 5 Rental income

The rental income is based on an increase of 2% on 2020 budget. Where houses are to be sold in order to sustain cashflow this may impact rental income but there is also likely to be surplus proceeds that can be invested thus creating additional income.

### Note 6 SDBF BC Ltd

The property trading company is expected to increase income year on year to 2025 and even despite lockdown, is projected to contribute substantial profit in 2020. The aim is to develop additional income streams such as domestic surveys and project managing home extensions.

### Note 7 National Church funding ref curates

This funding has been agreed for additional curates starting in 2020. The funding is for three years.

### 3 b) Projected Expenditure

#### Projected expenditure 2021

	Note	2021		2020	
		Draft Budget	%	Original Budget	%
		£,000		£,000	
Cost of Clergy	1	7,335	54%	7,490	54%
Property	2	2,327	17%	2,325	17%
Services offered	3	1,943	14%	1,824	13%
National Church	4	1,064	8%	1,098	8%
Legal & professional & finance	5	705	5%	779	6%
Grant DBE	6	336	2%	330	2%
<b>Total expenditure</b>		<b>13,710</b>	<b>100%</b>	<b>13,846</b>	<b>100%</b>

#### Note 1 Clergy deployment

The figures include a reduction of four out of 201 stipendiary clergy posts in 2021. These will come out of existing vacancies not requiring redundancies. The vacancy rate is projected to remain at 21 vacancies in the year allowing for retirements and planned moves.

#### Cost of clergy

	2021	2020
	Draft Budget	Original Budget
	£,000	£,000
<b>Direct cost Clergy</b>		
Stipend	4,820	4,939
Ers Nic	385	404
Clergy Pension	1,774	1,798
Apprenticeship levy	24	22
<b>Total Direct cost</b>	<b>7,003</b>	<b>7,163</b>
Grants payable and expenses	332	327
<b>Total cost of clergy</b>	<b>7,335</b>	<b>7,490</b>

#### Note 2 Clergy property & Church House maintenance

##### Clergy property & CH maintenance

	2021	2020
	Draft Budget	Original Budget
	£,000	£,000
<b>Salaries and expenses</b>		
Property office salaries	184	215
Property office expenses	9	9
<b>Subtotal</b>	<b>193</b>	<b>224</b>
<b>Clergy Houses (235 in number)</b>		
Clergy House repairs	640	641
Sequestration	68	67
Major repairs and ingoing works	400	400
<b>Subtotal</b>	<b>1,108</b>	<b>1,108</b>
Church House repairs and maintenance	65	63
Redundant Churches	7	7
Council tax	564	545
Water rates	167	160
Rents payable	197	193
Milton Abbey	26	25
<b>Subtotal</b>	<b>1,026</b>	<b>993</b>
	<b>2,327</b>	<b>2,325</b>

## Note 3 Services offered

### Note 3a Church House staff reorganisation

Consultation is in progress now for reorganisation of staffing in Church House – if implemented it would result in a 9.8% decrease in the salary bill. The consultation ended on 1<sup>st</sup> October 2020 with decisions being made with the Human Resources committee of the DBF in mid-October. While one of the drivers is to cut cost the more important aim is to shift the emphasis onto more focus on the needs of the parishes. To that end the proposals encompass a significant reshuffle of posts to put the parish at the forefront.

There are four main teams

#### Team one: Mission, Ministry and Communications (MMC)

This team is significantly outward focused in seeking to develop a deeper understanding of the changing landscape of the church and community.

MMC is refocusing resources to encourage mission and ministry across our communities and parishes to be locally led and centrally supported, in line with the Diocesan priorities for growth. This includes fostering a culture of vocation (lay and ordained) investing in ministerial formation, supporting a genuine localised strategy for mission (including discipleship and social justice) and developing the potential of our digital engagement.

#### Team two: Parish Support, Governance and Administration

In order to better serve Churches and their communities it is proposed that the team is reorganised into three work areas:

- **Governance and Planning.** The aim is to support, resource and enable good management and compliance at every level of the diocesan structure in order to create a strong foundation to live out our diocesan vision of Renewing Hope.
- **Central Admin Hub.** The aim is to provide a diocesan first point of contact and act as a resource and information hub for our churches, clergy and their local communities with useful and easy to access resources, advice, best practice and support. The proposed reorganisation includes the reorganisation and centralising of administrative posts from the various departments into 3 fulltime administrative posts and a part-time IT Systems Support Officer. Centralising the resource will enable greater collaboration, resilience, capacity and knowledge share.
- **Church Buildings (currently called DAC team).** The aim is to support the work of the Diocesan Advisory Committee (DAC) in advising and assisting parishes in their care for church buildings and churchyards; recognising that these are places of worship that balance mission, worship, and wider community use, with care and conservation. This includes the quinquennial Inspection of churches.
- **IT and Office Services.** The responsibility of implementing and roll-out of the Diocesan IT programme (as approved by Bishop's Council in March 2020) will reside within the Parish Support team. As part of our diocesan vision, the DBF is committed to "work collaboratively and locally", recognising that Churches are "...best placed to understand and respond to God's calling to serve in their local context." Going local, adopting cloud-based IT architecture that enables working "anywhere, anytime, any device" and the impact of the coronavirus pandemic, is already and will continue to impact our patterns of working. Adopting new IT systems and migrating to a cloud-based infrastructure brings many benefits including an integrated financial and property system; adoption of the national CofE integration software as part of an initiative to create a national clergy database; improvement to clergy recruitment through Pathways, the online recruitment tool; adoption of the National Safeguarding Case Management system and on a day-to-day basis, improvement of the efficiency and effectiveness of processes.

#### Team three: Finance and Asset Management

- **Property:** The priority is to create better systems within clergy property management to ensure that clergy house repairs are done in the most timely and efficient manner possible – providing an A-Z handbook clarifying expectations of what the diocese will provide and what the DBF expects from its clergy. Underpinning this is a recognition of the importance of the house to clergy wellbeing and to clergy's ability to provide ministry.

- **Property Trading Company:** The priority is to equip the company with sufficient resource to be able to expand and create more income.
- **Fundraising:** The priority is to take advantage of national funding to support giving resources so that we are well placed to promote giving across the Diocese. There will be focus on the training of clergy to be better able to talk about giving.
- **Finance:** The priority is to use the new accounting system to give much better and quicker visibility of figures with monthly management accounts monitored against budget.

#### Team four: People, Safeguarding and Learning

The priority is to ensure that best practice is followed, a quality service offered to the parish, that staff are looked after and able to fulfil their potential and that the all-important issues of safeguarding are handled well.

#### Note 3b Services offered – a breakdown

Services offered	2021 Draft Budget
	£,000
Mission, Ministry and Communication	773
Parish Support Governance, Planning and Central Admin Hub	321
Parish Support Church Buildings (DAC & Quinquennial Inspections)	202
Parish Support IT and Office Services	191
People, Safeguarding and Learning	250
Administering PCC Trusts	22
Fundraising and Promoting Giving	34
Area offices (cost mitigated by NC grant shown in income)	147
Church Music	3
<b>Total services offered</b>	<b>1,943</b>

Mission and Ministry split is shown in Appendix 2.

#### Note 4 Payments to the National Church

National Church	2021 Draft Budget	2020 Original Budget
	£,000	£,000
Training of Ministry	521	517
National Church Responsibilities	317	341
Grants and provisions	39	38
Mission agency clergy pension (CHARM)	20	17
Retired clergy housing	167	163
<b>Total payments to National Church</b>	<b>1,064</b>	<b>1,076</b>

National Church responsibilities are payments to provide housing and pensions for retired clergy with special needs and to support the Church's ministry and mission that is most effectively carried out at a national level.

National training refers to the training of ordinands (excluding maintenance grants paid by the diocese).

The National Church has agreed to hold the 2021 payment request at 1.6% below the 2020 level before pooling adjustments. In practice, after pooling adjustment, this means that the request for 2021 is £1.064m - £1.076m in 2020. The 2020 budget was concluded before final figures were known, and the estimate for the budget was £22k higher than the actual request.



## Note 5 Legal & Professional and Finance

### Legal & Professional , Finance

	2021	2020
	Draft Budget	Original Budget
	£,000	£,000
Diosec and finance salaries	301	507
Insurance	59	57
Legal and professional	140	134
Admin challenge	0	(40)
Audit fees	14	13
Bank charges	2	2
Depreciation	66	22
Share discount and provision	107	79
Int payable	5	5
Bank loan interest	11	0
	<b>705</b>	<b>779</b>

## Note 6 Grant to the Diocesan Board of Education (DBE)

There have been questions as to what the grant is spent on. The answer from Giles Pugh, Director of Finance for the DBE, is helpful and is shown in Appendix 3.

### DBE Grant

	2021	2020
	Draft Budget	Original Budget
	£,000	£,000
Annual Grant	<b>336</b>	<b>330</b>

## 4 Principal Uncertainties and Risks

The draft budget represents our best estimate at this time of the likely outcome for 2021. However, there are significant risks and uncertainties:

- All income streams are at risk from further lockdowns
- Liquidity in the face of operating deficits is partly dependent on successful house sales. Of the eight houses in the draft budget, three are under offer at the moment.
- Will the investment funds live up to the managers' predictions for income generation?
- There is an assumption that the incorporation of the Channel Islands is cost neutral which is agreed as a fundamental principle. For that reason, additional costs that will need to be recharged e.g. the PCR review to be undertaken in the Islands have not yet been included in the figures but will be as soon as the recharge mechanics are fully understood. This will make no difference to the overall figures.

Risk mitigation measures are aimed at ensuring that:

- Church House is fit for purpose and can deliver a good service
- We have adequate cash to ensure liquidity - Coronavirus bank loan £2.5m
- We have sufficient technical advice to be able to withstand difficulties
- Our new accounting system, once fully operational, will allow monthly monitoring of expenditure v budget. Financial reporting has improved dramatically since start of 2017 where only the budget for share was considered ignoring substantial expenditure with no corresponding income and where there was no provision for less than 100% receipt of share. However, it remains a clunky process to produce quarterly accounts. The new system will give us much greater visibility and therefore the ability to react quickly to what may well be ever changing situations.

## 5 Flexing of budget- what happens if we only receive 85% share?

If we only receive 85% of share in 2021 then losses will increase by £534k.

## **6 Cash and capital budget**

Capital budget for 2021 is as follows:

Projected is the sale of eight properties realising £2.7m: out of this £1.5m is planned to be paid into bank to ensure liquidity and £1.2m will be available to reinvest. No investment income has been included in these figures in case rental income falls short of predictions.

£50k is planned to be spent on IT capital purchases.

Cash balances are maintained as just over £1m.

Repayment of the Coronavirus bank loan (£2.5m) and interest commences in October 2021. There is a one-year repayment holiday from when the loan was drawn down in 2020.

## **7 Profit and loss on sale of spare houses**

1. The housing strategy is being reviewed – spare houses not being used are planned to be sold in 2021 raising £2.7m and proceeds will be applied to the cashflow where required and invested where there are surplus proceeds. It is interesting that the projected sale of houses results in an overall loss against the value of these properties held in the accounts. Too often curates' houses are bought and sold quickly preventing any significant capital value being accumulated although in some cases these have produced rental income. This points to a need for a more joined up housing policy.
2. In line with the policy to increase income wherever possible to reduce the pressure on parishes all glebe sites have been reviewed for their development potential. Currently there are four major sites in pre-app planning. Nine sites are being actively reviewed and will go to pre-app soon. Six vicarage gardens are being considered for development from 2021. This review is more likely to be of long-term benefit to the DBF as income generation will be over a few years also recognising that there are sensitive issues to be considered with the wider community and the relevant incumbents.

## **8 Share allocation notification and discount**

Once the budget is agreed the actual share request to individual parishes will be as 2020 except where there has been notification to Archdeacons of exceptional changes in numbers or agreed category change prior to lockdown in March 2020 due to Covid-19. In these cases, the individual parish share will be altered and any differences written off to the share provision. There will be no effect on other parishes share.

All parishes are facing uncertainty about future, but if there are exceptional local circumstances which ought be taken into account, there will be an appeals panel made up of the Chair of the DBF, Director of Finance, the four Archdeacons and two lay members which will meet quarterly to hear appeals starting from the last quarter of 2020.

The discount is 0.5% for payment of Share in full by direct debit over 12 months.

## 9 Cost of Clergy

Like many things this is not an exact science.

The following seems a sensible apportionment of costs

	2021
<b>Cost of an incumbent</b>	
<b>Direct cost</b>	£
Stipend	27,405
Ers NIC	2,192
A Levy	137
Pension	10,030
<b>Total</b>	<b>39,764</b>
<b>Apportioned expenses : Cost divided by number of stipendiary clergy</b>	
Grants and expenses	1,895
Clergy property maintenance , council tax and water rates less rent received	11,870
All Churches Trust Grant	(771)
Ministry and mission excluding comms, pre-ordination costs, and lay	2,262
<b>Cost before capital cost of house</b>	<b>55,021</b>
Capital cost of house @ 450,000 @ 2.5%	11,250
<b>Total cost of incumbent</b>	<b>66,271</b>

## 10 Cost of ministry

One of the underlying givens is that share has to pay for parish ministry. So, what are these costs?

What does share pay for? - Parish Ministry after available income used to reduce the cost		£,000		
Share receipts £,000 9,623	<div style="background-color: #e91e63; color: white; padding: 5px; display: inline-block;">DBF Budget 2021</div>	<b>Parish Ministry</b>		
		Clergy cost less external contributions	6,950	
		Clergy property less rent received	2,085	
		Mission and Ministry less Sudans less donations from funds	695	
		Training Ordinands National Church	521	
		<b>Total cost of ministry</b>	<b>10,251</b>	
		<b>Share receipts expected</b>	<b>9,623</b>	
		<b>Shortfall paid from other income</b>	<b>628</b>	
			<b>10,251</b>	

Given this what pays for everything else?

What is paid for by other income ?				
<b>Other income not already used to offset costs of parish ministry</b>				
	£,000		£,000	
Investment income	711	<div style="background-color: #e91e63; color: white; padding: 5px; display: inline-block;">DBF BUDGET 2021</div>	Services for parishes excl M&M	1,171
Rents receivable	193		Legal & prof & finance	705
Parochial fees	367		DBE grant	336
SDBF BC Ltd	211		National Church remainder	543
Donations	87		Church house maintenance	65
Less used for shortfall in share	(628)		The Sudans	20
<b>Total Income</b>	<b>941</b>		<b>Total expenditure</b>	<b>2,840</b>
		<b>Shortfall pd from reserves</b>	<b>(1,899)</b>	

## 11 Conclusion

As we conclude this budget paper for 2021, we are on the threshold of further possible restrictions as a result of the coronavirus, and with many uncertainties lying ahead.

We recognise that it would be unfair and unrealistic to press a budgetary increase upon parishes at this time to enable us to begin to address our deficit as contemplated in February of this year.

It would on the other hand be to bury our heads in the sand to think that we can reduce our Share request to parishes without doing harm not just to our financial position in the short and medium term, but also to the longer term future of mission and ministry in this diocese.

Whilst the budget reflects savings by way of a reduction of four stipendiary posts and a 10% cut in salary costs at Church House, it does see a return to near pre-coronavirus levels of maintenance of our housing stock, and also reflects our continuing and increased obligations to national Church.

Importantly, it also recognises that whilst we have stalled on stipendiary and salary increases across the board in 2020, we have planned to increase both by 2% in 2021- stipends in April and salaries in July.

We never take agreement of our budget proposals for granted and next year will be full of uncertainties. The budget proposed takes account of circumstances as we currently see them, but we all know that how the year unfolds could be very different.

We believe that the budget represents our best estimates at this time, recognising that there is much uncertainty and commend it to Synod for approval.








NS/LA 7.10.2020

## Appendix 1 Income and Expenditure

### Projected income 2021

	2021		2020	
	Draft Budget	%	Original Budget	%
	£,000		£,000	
Share receipts	9,623	81%	10,339	81%
Grants and donations	434	4%	501	4%
Investment income	711	6%	774	6%
Parochial fees	367	3%	598	5%
Rental income	371	3%	363	3%
SDBF BC Ltd	211	2%	190	1%
Natl Church ref curates	94	1%	-	0%
<b>Total income</b>	<b>11,811</b>	<b>100%</b>	<b>12,765</b>	<b>100%</b>

### Projected expenditure 2021

	2021		2020	
	Draft Budget	%	Original Budget	%
	£,000		£,000	
Cost of Clergy	7,335	54% 	7,490	54%
Property	2,327	17% 	2,325	17%
Services offered	1,943	14% 	1,824	13%
National Church	1,064	8% 	1,098	8%
Legal & professional & finance	705	5% 	779	6%
Grant DBE	336	2% 	330	2%
<b>Total expenditure</b>	<b>13,710</b>	<b>100%</b> 	<b>13,846</b>	<b>100%</b>
<b>Projected operating deficit before sale of houses</b>	<b>(1,899)</b>		<b>(1,081)</b>	

## Appendix 2 : Analysis Mission and Ministry

Notes to Services Offered Figures £,000

Mission and Ministry	2021 £,000
<b>Salaries</b>	<b>373</b>
<b>Expenses</b>	
Curacy placement	4
Cemes	-
Discernment and discipleship	6
New ministries	4
Comms	6
Social justice	2
Administration	3
	<b>24</b>
<b>Grants payable</b>	
LLMs initial grants	2
Ordinands maintenance	161
	<b>163</b>
<b>Training</b>	
Lay initial training before licencing	14
IME	6
Spirituality	1
CMD	64
Regional Training Partnership	5
Clergy Conference	15
	<b>105</b>
<b>Wellbeing</b>	
Reflective practice groups	9
Confidential Care	16
Covenant Clergy wellbeing	10
	<b>35</b>
<b>Other</b>	
Mission Grants ex ALDHELM FUND	25
Chaplain to Travellers	6
Grants payable for events	23
The Sudans	20
	<b>73</b>
<b>Total</b>	<b>773</b>
<b>Summary</b>	<b>£,000</b>
Salaries	373
Expenses	24
Grants payable	163
Training	105
Wellbeing	35
Other	73
	<b>773</b>

## Appendix 3: DBF Grant to the DBE (Answer from Giles Pugh Director Finance DBE)

### DBF Grant (from Share) to the DBE

For context it is a statutory requirement for each Diocese to have a DBE (Per the DBE Measures Act). The DBE Measure 1991 provides the legal framework within which the CoE's dioceses engage and work with Church schools. The Measure sets out the functions of the DBE;

1. Promote education consistent with faith and practice of CoE
2. Promote RE and religious worship in schools
3. Promote church schools and advise governors, trustees and others on any matter affecting church school
4. Promote co-operation between the DBE and other bodies in any respect with education in the diocese

The key duties of the DBE include:

- Responsibility as Trustees for the land and school buildings of 194 Church schools and academies (43,000 children)
- The appointment of Headteachers/school leaders
- The appointment and training of Foundation Governors for the protection and progression of the school's Christian character
- The provision of Statutory Inspection of Anglican (Methodist) Schools (SIAMS) of the impact of each school's Christian vision and its outworking within the life of school and community
- The provision of support and advice to enable schools and academies to provide strong outcomes for all children and young people, including liaison with the Education Office of the Church of England; five Local Authorities; Department for Education; Office of the Regional Schools Commissioner
- The provision of support and advice to ensure each school is compliant and providing for the flourishing of Religious Education, sex and relationships education, and the Act of Collective Worship in line with the requirements of being a Church of England school/academy
- The administration of the annual school condition allocation (SCA) to VA schools. Currently £2.3m.
- The administration of the devolved formula capital funding for VA schools.
- The administration of educational trust funds. Currently over 60 individual funds.
- In addition to the DBE Measure functions the SDBE also leads on Children and Young People which is not the case in many of the other diocese.

Although by population Salisbury Diocese is the 28<sup>th</sup> largest of the 41 dioceses, for the number of children in church schools it is 7<sup>th</sup> largest and in terms of number of church schools in the diocese 5<sup>th</sup> largest. So the diocese has many more church schools and children than the average diocese and this puts it in a great starting position for achieving its vision of a thriving Christian presence serving God in every community and Growing Faith.

In fact based on a diocesan population of 958k, 1 in every 25 people in the diocese are currently in a church school and that is only the children and not the staff, governors, parents or carers. An interesting question may be to ask Synod how many people had gone to a church school it is likely to be significantly over 50%.

The DBF grant contributes toward the provision of these core responsibilities, including contributing to the salary costs of the DBE staff team (@70% of the costs of the DBE) – a team of currently 15.8 FTE, including:

- Senior Team: 2.6 FTE
- School advisers: 4 FTE
- Children and Young People's schools and parish team: 1.7 FTE

- Buildings and finance team: 2.6 FTE
- Education services support team: 4.9 FTE

The DBF grant contributes approximately 26% of the annual costs of operating the DBE. The rest comes from other trust fund grants, investment income and a variety of other self generated income.

The DBE is also facing financial issues and has a planned operating deficit which it is covering from the sale of old school sites and trust funds as it moves to a long term balanced budget position. The DBE has been consistently looking at its staffing and use of consultants and has reduced this over recent years by over 12% from 17.8 FTE and 286 consultant days in 2017/18 to 15.8 FTE and 145 consultant days in 2020/21.

At the current time there is the real risk that church schools could be lost to the diocese as the educational landscape changes and this is why the DBE Board has adopted its current financial strategy, protecting and progressing its capacity to serve schools and parishes in the long term.

For the year ending 31/3/20 the DBF grant was £325k and equated to 23% of expenditure in the year. The actual operating deficit was £267k (which was in line with budget) and after income from the sales of old school sites and trust funds and losses on investment a surplus outturn was achieved. This being part of the DBE agreed financial strategy to effectively cover its budgeted planned operating deficit of £288k in 2020/21.

The funding provided by DBF's to their DBE's differs and some such as Chichester and Guildford are funded 100% while other more local dioceses are Bath and Wells 66%, Exeter 42%, Bristol 29% and Worcester 40%. The funding provided to Salisbury DBE from DBF and Share is amongst the lower quartile.

VA schools and academies capital schemes provide the bulk of the SDBF BC Ltd (the property trading company) business and the DBE has sought to raise awareness of this service and promote it. The VA schools SCA program for 2020/21 alone (before any academies work) being worth approximately £100k in fees to the SDBF BC Ltd (based on total schemes of £1,038k).