

Financial Consultations 2007 – Presentation - Nigel Wearne - Director of Finance

covering slides 2 to 13 of Autumn Presentations

As everyone attending has had in the post, or has picked up today a copy of the Summary Financial Statements for 2006 I will not be going through the 2006 financial outturn except where it is relevant to an understanding of the forecast 2007. I will concentrate on the Forecast 2007, because we build the 2008 budget on the emerging picture of 2007 contained in the forecast, which consists of the half year actuals and revised budget for the remainder of the year.

It is looking as if we will come in at least £200K better than budget with a deficit of around £327K (Budget £569K) – this is before any income from the sale of certain Glebe land has been taken into account – formal planning permission has not yet been granted, but it should be by 31 December, in which case the position will improve by over £500K and thereby move into surplus.

Slide 4

A trend of 17 years. There is a welcome small reduction in 2008 in net payment to the central church because of some short term support by the Church Commissioners offsetting part of the significant rise in the level of clergy pension contribution costs. £300K+ support (Brian will say more on this later) being nearly 2% of Share. The overall shift of £5.5Mn p.a. of costs to the diocese over this timeframe has had to be absorbed. We now need to pay for the church we want rather than rely on income from historic assets and generosity of past generations.

Slide 5

The 2006 actuals are there as comparatives.

Because of an atypical drop in clergy vacancies in the early part of last year, we overshot our stipendiary clergy costs in 2006 by around £150K. Taking that amount off 2006 and with a more normal pattern of vacancies averaging around 29 this year, the underlying increase is in line with expectation at 3.5%.

The clergy pension contribution is up by £473K as the contribution rate has increased to 39.8%. This is what the Church Commissioners are helping us with that I referred to earlier – the detail is for the Chairman's update.

Clergy Housing shows an apparent drop because we spent a one off amount on repairs and maintenance on clergy houses last year of £348K to catch up on work that had been long put off in the previous 5 years. Adjusting for that shows an underlying increase of 4.2% year on year.

Other parish related costs are up at the moment because there has been considerable glebe property management costs much of which will probably be capitalised against the developments on the glebe land when planning permission is granted so that by the year end the position will improve by around £150K.

Central Fund for Training down slightly – this very much depends on the allocation of 'pooling costs' which is an adjustment for each diocese according to the amount they should pay of the total national training costs versus what they did actually pay in a year. The effect of pooling the total national cost and apportioning a 'fair' cost to each diocese sometimes produces a rebate (seldom an extra charge for Oxford) and this is shown in our accounts 2 years after the costs have been incurred. We don't budget for a rebate as it can be anything from miniscule to £100K and you cannot work it out from within the diocese because it relies on national figures.

Slide 6

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Putting the total of Head one on the last slide – with the other expenditure headings shows Finance and Administration being in line with inflation and remaining under 4% of total expenditure. So £20,479K is the total expenditure forecast. So how this will be funded

Slide 7

Glebe income forecast to be well up by £224K (12.6%) at £2,004K, investment and other income however looking like being down by £205K. Parochial and chaplaincy fees flat or slightly down by £17K., but the Church Commissioners grant up – mainly because the Parish Mission and Ministry support grant was not fully spent last year so it is available to spend this year.

The share is budgeted to increase by 3.2% compared to 2006 actual collected. This is based on an average increase across the diocese on 2006 allocated share to deaneries of 3.5%.

And then the balance of £327K is forecast to be met from reserves. All this excludes the possibility of bringing in at the end of the year some more Glebe income. But given the level of the reserves represents 4 months expenditure of the coming year, it is felt perfectly prudent to plan to run them down to 2 months over the next few years.

Slide 8

So to summarise the latest picture of diocesan finances: the total forecast expenditure is up £895K at £20,479K compared to 2006 actuals. And £616K of this increase represents expenditure on parochial ministry, together with £244K more mission in the diocese (Head 3) at £2,729K. Administration and national church together are up a tiny total amount, £25K.

Slide 9

Total income is forecast to be up £581K at £20,152K compared to 2006 actuals, with the possibility of drawing on reserves for £327K.

So to summarise 2007 the likely outcome for this year:

Parochial Ministry costs represent 78.2% of total costs and with the wider mission support across the diocese (Head 3), of which clergy training in all its forms and support for church schools are by far the greatest proportion of costs, represents 91.5% of total costs.

Administration – we really do get economies of scale that smaller dioceses do not, so we are fortunate – but we will continue to drive down costs.

Mission in the Diocese – This covers Stewardship Training Evangelism and Ministry, the Education Dept. working with our church schools, ecumenical grants and appointments, Board for Social Responsibility, grants to PACT and the Council for the Deaf, Communications Department and the DOOR newspaper and Partnership in World Mission and other smaller grants. The increase is basically in the STEM area of training due to ordinands' maintenance grants - that we do not as such control. Marilyn Parry's presentation goes into this in greater detail.

2008 Budget. The four following slides were commented upon by Nigel Wearne or Michael Hardman (depending on which consultation people attended) to indicate the trends, particularly in the shaded figures in the right hand column.