

Chairman's Budget address to Diocesan Synod, 17th November 2007

When standing up to present the final version of the Budget to you, members of Synod, I always hope we'll have succeeded beforehand in explaining in everyday language the main issues and changes, and that you'll be able to see some consistency with policies you've been invited to consider and approve. I hope that will be true this morning. But I recognise from what some of you regularly tell me that you find the big numbers, the budget headings, the idea of deficits, and inexorable year on year increases in Parish Share, matters on which you value some further reassurance through a word spoken to you face to face. Thus each year I try to highlight a few of the most relevant points, and of course both I and Nigel our Director of Finance, are always ready to answer your questions.

This year, the Budget now being put for approval in its final form represents slightly better news than when it was put in draft in June. Later information about what has been happening to costs and income during the year now gives better pointers to the outcome we expect next year. A key figure that hasn't changed is the average Share increase, which at 3½% remains at the lowest level for many a long year. We are, as you know, again proposing to run a deficit in 2008, as part of the process of running down our general reserves so that at the turn of the year we hold just two months expenditure in hand rather than the previous three; and we can do this because the Share continues to be reliably paid. The good news is that the deficit looks likely to be £57,000 lower than was predicted in June, and stands at £449,000. You'll have seen from the budget paper that expenditure in every department has been carefully reviewed, and Rosemary the Diocesan Secretary and I both want to assure you of the care we take in this regard.

But there are two aspects of the 2008 budget that I want to tell you a little more about, because they're unusual. These are the items described on page two of the budget paper – Buildings Costs, and extra support from the Church Commissioners. What is unusual is that both of these are presented as 'unfinished business' – where in each case an alternative financial outcome remains possible. In asking for approval for that flexibility, I assure you that as soon as possible, probably at the next Synod, you'll be given a full account of a proposed resolution, considered by Bishop's Council and with its recommendation.

First building costs. Since long before I was Chairman of the DBF, my predecessors have had to stand here time after time and explain that vicarage repair and maintenance costs have run over budget. Regularly I myself have had to, both when explaining emerging results and proposing budgets. The issue has not been waste, rather a combination of not knowing until work starts quite how much will actually have to be done in the light of what is found, and inspections of clergy houses only once every five years, and the resulting work being scheduled over a period of three years, in a world where building costs have been moving at an increasingly faster pace than general inflation.

In the last eighteen months we have begun to improve things by calculating a four year moving average of building cost escalation. But suddenly, under the influence of intense world demand for building materials notably from China, material costs have rocketed. In addition, all over the south-east the growing pull of work for the 2012 Olympics is jacking up labour costs. There is thus fear that even the moving average won't provide sufficiently for 2008, and to avoid yet another overspend explanation, an extra sum of £150,000 is put forward at item (e) of the resolution I shall shortly move. This is probable additional expenditure on the same amount of work as originally proposed. I believe we absolutely must avoid falling into the arrears of maintenance trap ever again, and I hope for your support on this.

The Second unusual item is use of extra support from the Church Commissioners. The availability of this support – that comes from savings to the Commissioners from revisions to the clergy pension scheme – is explained in the budget paper. This funding could perfectly properly have been used as an extra source of income next year to reduce the budget deficit. However Bishop's Council considered a possible

alternative – to allow the provision of short-term interest-free loans to clergy who are about to retire, if this would be helpful to them in securing a retirement home a little in advance of retirement rather than waiting until after they received their lump-sum pension entitlement on retiring – which they would use to repay their loan.

A number of steps are in hand or under thorough investigation by the national church to deal with wider retirement housing problems for clergy, some of which dioceses may one day be asked to fund. Meanwhile, Bishop's Council commissioned our three archdeacons to explore with our own clergy how helpful this possible local scheme might be. If it turns out that it would be useful, over the years the same sum would provide a sequence of loans as successive clergy near retirement. Bishop's Council will be given an evaluation by the archdeacons, and will decide what to propose formally to Synod as soon as possible. This morning, under item (f) of the budget resolution, Synod's approval is asked for creating a designated fund in which to hold the sum of £362,000, visible in the DBF Balance Sheet, and to defer a decision on the actual use of this sum until it receives Bishop's Council's recommendation. I hope members will support that proposal too.

There are two post-scripts that are not in the budget papers because they were not known when they were sent out, and neither are they in the printed version of my introduction; but you should know about them, and they are not complicated.

About the first you may just have picked up something in the press, relating to a decision by the House of Bishops that in every diocese, files will be re-opened about past cases of child abuse by ministers and others, basically to make sure that in the days before the issue was so engraved in our consciences the process of rooting out offenders was not skimped, or if cases turn up where it might have been, we now investigate thoroughly so that the church itself brings things to light. This will mean the employment of properly qualified staff, and a model process will be defined for the dioceses early in the new year. For the 'average' diocese it's thought the cost might be some £30,000, spread over perhaps eighteen months. For a large diocese like ours I suppose the cost might be double that. Thus some provision will have to be made for 2008, and will be made known to Synod in March. I don't think I can usefully say more now.

The other post-script is a piece of good news we have long been waiting for in a quiet way. At last, planning permission has been granted for the site at Quarrendon, near Aylesbury, and in the relatively near future will release to us the purchase price agreed with the developer. We can't yet say when funds will be in the bank, but we shall need to reflect the new circumstances in the balance sheet as part of this year's accounts, and clearly there will be a benefit in 2008 and ongoing.

It is really good to know that this deal is coming to fruition. As I've mentioned here before, this significant sum will be of great value in helping us deal with future strategic needs, including ministering to the substantial new communities expected in our three counties. About this too there should be more to say at the next Synod.

So to conclude: we can't, of course, foresee all that might affect us financially in the years we make projections for. There may be legitimate new demands made on us, and inflation is hard to predict. But until 2011 we're continuing to project average Share increases across the diocese of 3½% that I believe are sustainable under our agreed reserves policy, that demand no unwelcome cuts in the deployment and training of ministers, and that reflect the objectives of the pastoral plans worked out by our deaneries.

I therefore commend the budget of 2008 for your approval, I invite discussion and any questions you may have [before I move the motion that stands in my name at item seven on the Synod agenda].