

DIOCESAN FINANCES EXPLAINED

1. Broad categories of expenditure – where the money goes

The cost of parochial clergy – the greatest cost

This includes stipends, pension and employer's National Insurance contributions, the cost of maintaining the clergy houses, Council Tax, etc., and the training and support they need from the diocese regularly or from time to time. The diocese receives no direct support for this from the Church Commissioners, except that the Commissioners largely pay for our bishops and their expenses of office, and provide the house for the Diocesan Bishop.

Mission in the Diocese

This is the next largest heading and includes:

- Parish Development Advisers for each Archdeaconry (i.e. Berkshire, Buckingham, Dorchester and Oxford) to assist parishes and groups of parishes when they want to do new things, change the way they work, or overcome specific problems
- Provision for leading, managing and training youth workers and those who work with children in our churches including support with safeguarding provisions.
- Directors of Ordinands who help the large number of men and women in our diocese who feel called to ministry to discover what their vocation might be and to prepare them for selection
- Staff who provide training through the Oxford Ministry Course to some ordinands and many categories of lay minister
- Maintenance grants to ordinands and their families during training. Training normally begins in the autumn following selection
- A grant to the Diocesan Board of Education which provides support to over 280 church schools in our three counties.
- Limited support for social justice work in the diocese, which engages the support of a large number of expert volunteers.
- Communications including the DOOR newspaper.

Administration and Finance

In this large diocese we gain considerable economies of scale. The cost of administration has been progressively reduced and now runs at about 3%.

Support for the services provided by the national Church

Each diocese in the Church of England contributes to national Church expenditure according to a formula based on its membership and income. As a diocese, well-endowed with income from our Glebe and other investments, and because our population is comparatively wealthy, the Oxford contribution (and that of several similarly placed dioceses) is higher than other poorer dioceses and

involves a measure of mutual support that eases the load on those parts of the church in much greater need.

2. How this expenditure is decided – policy and assumptions

The budget reflects the plans of the Diocese and is influenced by the priorities defined by Living Faith, the current strategic vision for the Diocese.

Assumptions used in drawing up the budget

A number of assumptions are proposed by Bishop's Council and agreed by Synod each year. They include: (i) the expectation that the number of clergy will be in line with the diocesan mission and pastoral plan (see immediately below), making allowance for the typical vacancy pattern that results from retirements and appointments to new posts; (ii) the anticipated level of increase in stipends and salary for clergy and diocesan staff; (iii) appropriate increases in building and utility costs; (iv) a possible allowance for increase in other controllable costs which has been held at 0% for a number of years; and (vi) a general expectation that the cost of 'new work' will be covered by other savings where possible.

All central diocesan staff posts are automatically reviewed each time a member of staff retires or moves, to determine whether the work is still required, should continue to be done in the same way, or could be covered more effectively by alternative means.

Clergy numbers – how this key element in the strategy is determined

These are agreed through the Archdeaconry Mission and Pastoral Committees and referred to the Diocesan Mission and Pastoral Committee (now part of the responsibilities of the Bishop's Council) where appropriate. Deaneries are given the benefit of any reductions in clergy numbers by direct offset against their Share allocations. From time to time specific new development posts are funded centrally until parishes and deaneries are able to fund them.

How clergy stipends are determined

Dioceses are consulted each year about the level of a 'national minimum stipend' to be paid. We consider it desirable that the national minimum should rise sufficiently to keep ahead of retail price inflation (RPI) and not fall too far below the level of increase in average wages.

By reference to the national minimum, dioceses are encouraged to pay their clergy a stipend that is regionally adjusted to reflect the local cost of living and a Regional Stipend Benchmark figure is calculated to provide guidance. Because clergy work locally and are provided with housing, the regional adjustment excludes housing and transport costs.

The cost of Clergy Pensions

Since 1998 dioceses have made contributions to the defined benefit pension scheme of the clergy, in respect of all their service from 1st January that year. There is periodic consultation throughout the church about these contributions, but once the Fund Trustees have set a contribution rate it is

incumbent on the dioceses to pay it. National Insurance contributions for clergy and other staff are of course levied at a level over which we have no influence at all.

Other budget proposals – including new work

These may originate with the Bishop's Staff (that is the Area Bishops and Archdeacons) as part of a strategic change, or from one of the Boards or Councils working in conjunction with the appropriate department. Before being formally presented as part of an annual budget such proposals are scrutinised by the Bishop's Staff and by the Planning and Budget Sub-Committee of Bishop's Council.

3. Setting an annual budget and proposing a Share increase

The first draft budget for the following year is presented in the spring to Bishop's Council for discussion and then to Diocesan Synod in June for information, and draws on input from the Spring Financial Consultation with Area Deans, Lay Chairs and Deanery Treasurers. During the summer it is reviewed in the light of experience in the current year and any further requests for provision for new work from Boards or Councils. This revised budget is then presented to Synod for approval at the November meeting, following consideration by the Planning and Budgets Sub-Committee and Bishop's Council. If it approves the budget, Synod then formally gives authority for the following year's expenditure proposed in the budget under different expenditure headings, together with a request for the Share required by the budget.

At the same time as the budget is presented, Synod will receive a Share allocation to deaneries proposed for the following year. Because of stipend increases, this usually means an increase for the diocese as a whole. The impact of this increase varies from deanery to deanery according to a number of factors: actual ministry and associated housing costs; and contribution to supporting the "Church of the future" and Mission in the Diocese and National and Diocesan support costs. The level of contribution is based on church membership (and whether it has increased or decreased relative to all the other deaneries) and an assessment of the deanery's ability to contribute to the Share, using Mosaic data provided by Experian for the public sector. A fuller explanation of Parish Share is given in the booklet "All about the Parish Share Scheme". Deaneries are advised in as timely a way as possible of their Share so that they can work out their own allocations to parishes according to their locally agreed formulae.

Longer-term projections for expenditure and Parish Share increases

These are based on factors that are known or confidently anticipated. Important elements include (i) projected clergy numbers based on available knowledge; (ii) expected trends in costs such as building maintenance; (iii) any known changes in Church Commissioners' contributions, or other national factors including pension costs; (iv) specific new work, and any savings created to fund it; (v) particular cost savings that are identified; (vi) a realistic view of the level of Parish Share likely to be affordable by our congregations.

Despite the care taken in preparing budgets and projections for later years, there are inevitably surprise factors which cause changes, and projections for the later years must always be treated with a degree of caution.

4. Monitoring and control of expenditure

Scrutiny of monthly results

Monthly management accounts and financial reports monitoring income and expenditure are prepared covering the activities of departments. These reports are scrutinised by the Heads of Department and reviewed with their staff and with the Finance team to determine any corrective action if necessary. Under-spending can be as much worthy of correcting as over-spending. The Diocesan Secretary also carries out regular reviews of emerging results for central departments and gives attention to their performance and efficiency.

Regular reporting to the Planning and Budget Sub-Committee, Bishop's Staff, and Bishop's Council

Quarterly finance reports are presented to the Planning and Budgets Sub-Committee and to Bishop's Council with a commentary on the results and any implications for action which may be required.

It is important for Diocesan Synod members and others to be confident that spending within the diocese is scrutinised, and where possible controlled, and it does not "just happen".

Monitoring of Parish Share income

The payments of Share made by parishes and benefices are reviewed each month and the contribution of each parish posted on the web-site after the end of each month. At the end of March, June and November deaneries whose parishes will have met the target levels for payment of Share are appropriately credited with rebate, to a maximum of 3%. This is paid to deaneries in December.

End of year results, preparation of the Annual Report and Accounts, and external audit

The Annual Report and Accounts are prepared following the financial year-end on 31 December. These are then audited, along with a review of the effectiveness of internal management procedures and controls, and a report is presented to the Bishop's Council at their meeting in May. The audit process is overseen by the Diocesan Audit Committee which ensures compliance with statutory requirements, and also reviews the practice of risk assessment and management in the Diocese, paying particular attention to the major risks.

5. Other ways to gain information on Diocesan Finance

The Diocesan Website

Regular postings are made to the Finance section of the Diocesan website which is accessible at www.oxford.anglican.org/support-services/finance. This currently includes:

- Copies of the statutory accounts
- Information on the Parish Share, including the latest position and background information on the scheme.
- Information on parochial fees
- Resources for treasurers – new and experienced
- Other helpful links

The Autumn Financial Consultations

These take place in September and October, recently on 2 evenings and one Saturday morning at three locations in the Diocese, and are designed to be reasonably accessible to people from all over Oxfordshire, Berkshire and Buckinghamshire. A presentation by the Bishop or Archdeacon focussed on Mission is followed by an update of current financial scene and the expected financial outlook, and the draft budget for the following year is presented to attendees. These are mainly intended for Parish Treasurers, Churchwardens, Clergy, and deanery officers but other interested people may also attend.