

Newcastle Diocesan Synod Budget Consultation 2020-2022

discussion document

Introduction

1. The importance of addressing the reality of our financial situation was made clear at the Diocesan Synod in May 2019 and the Presidential Address to the Synod was used as the framework for the proposals set out in the budget consultation paper. The Presidential Address (paper [DS19 09](#)) and the budget consultation (paper [DS19 10](#)) are available at www.newcastle.anglican.org/synod
2. The timing of the budget process has coincided with the ongoing consultation supporting the review of Parish Share. Members of Diocesan Synod may find it helpful to note that the Review Group has completed the first round of consultation with all twelve deaneries. The Chair of the Review has issued a report (paper [PSRG19 05](#)) which is currently out for consultation with parishes. A second round of consultation is planned for January 2020.
3. The budget consultation offered three options as a starting point to help with our planning for 2020-2022 and our commitment to a sustainable budget which would, by 2022, fund 80FTE stipendiary clergy. The options were based on the estimated 2019 outturn for Parish Share using information available at the end of June 2019 (at that point the forecast was £4,560,000).
4. The consultation paper set out that such an outturn would be a £247,000 shortfall against the Parish Share request for 2019. The forecast at the end of August has shown a weakened position and there will need to be very significant increases in 2019 Share returns for this figure to be turned around. At the end of August the forecast shortfall for 2019 was estimated at £346,000. To put this into context the shortfall would fund 5 paid clergy posts. This shortfall would also mean that Share contributions in 2019 would be £46,000 less than the Parish Share actually achieved in 2018.
5. The three options offered in the consultation were:
 - **The first option** sought to achieve a smoother transition to a smaller cohort of paid ministry. The option required a £184,000 cash increase of the expected outturn for Parish Share in 2019 (equivalent to +3.82%).
 - **The second option** sought to achieve a 2.0% increase to help the Board work with the inescapable costs of inflation. This option would require the Board/Synod to achieve new expenditure cuts or find new income of £93,000.
 - **The third option** would expect to keep Parish Share income at the same level in 2020 to that in 2019. This would require £184,000 of expenditure savings.
6. The timetable included in the consultation paper indicated that the Diocesan Synod to be held on 28th September would be the point at which the Synod would be invited to debate and reach a decision on a budget proposal.
7. The feedback from the Open Forum Finance Synod and the responses to the consultation suggest a need for wider engagement with parishes before agreeing a budget. The Bishop's Council in its capacity as the Standing Committee agreed. The Synod needs to

avoid the risk of a situation that has occurred in previous years which has seen a discontinuity between diocesan decision-making structures and the ability of parishes to deliver on the subsequent request. It is important that the budget approved by the Synod and the amount of Parish Share required from parishes is deliverable.

8. The September Synod meeting is therefore an opportunity to debate the budget, the outcome of which should be communicated to all Parochial Church Councils with a request for each to respond. This wider engagement should help the Synod to reach a decision at its meeting to be convened on 23rd November 2019.

Consultation

9. Responses to the consultation have been limited. Written responses have been shared with the Bishop's Council and Board of Finance. In the main, those who have responded have not supported the first option or have shared their concern that an increase of +3.82% would not be achievable or realistic. In summary the responses raised the following items:

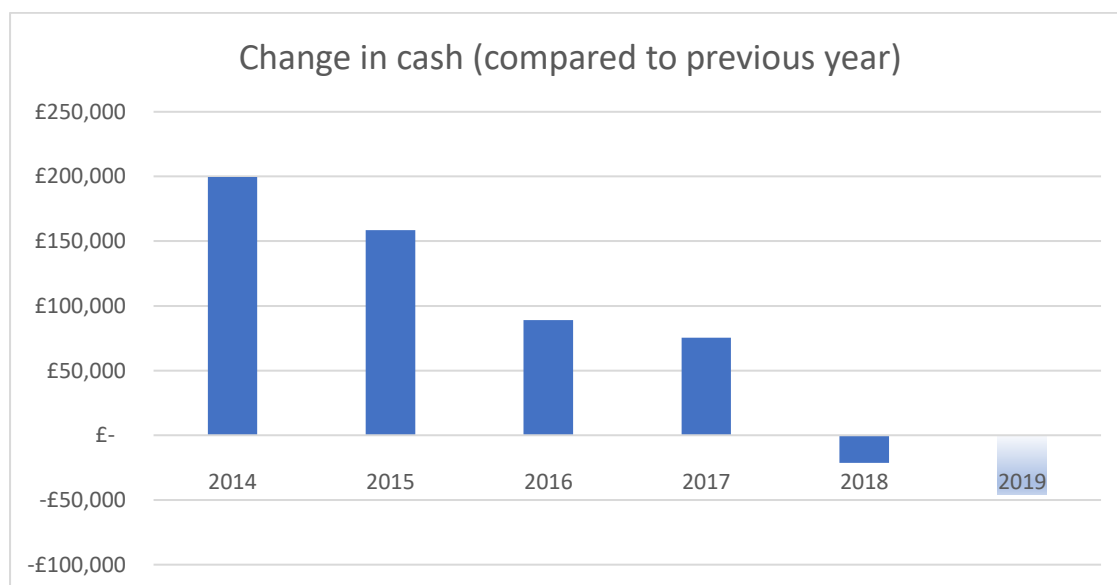
- A perceived unfairness of increasing Share achieved in 2019 by +3.82% given that parishes which had met their request would be hit harder than those which either chose not to or found it difficult to meet their request.
- Disappointment that the consultation looked at one year and was not a longer-term budget. This was also flagged at the Open Forum at which some delegates were disappointed not to have options in front of them which set out the budget reductions or the longer-term planning.
- The challenges faced by parishes with declining congregations. Although some held a desire to be aspirational and to support option 1 the reality on the ground meant they could only seek to contribute the same again (i.e. option 3).
- The challenge around support roles that are needed and the number of posts for ministry support and administration at Church House.
- Parishes were unable to meet the rising cost of Parish Share and this was demonstrated through the outturns in Share receipts achieved in recent years.
- Parishes should seek to change their priorities over Parish Share including more regular contributions and acknowledging that the fundamental part of Share is used to pay our clergy.
- Responses to the review of Parish Share have also touched on aspects of the budget. The need for longer-term budget planning has been flagged within some of those responses, although the declining congregations described in those responses suggest parishes might struggle with firm three-year budgets.

10. The ability of parishes to increase their Share contributions would appear limited which begs the question about the reality of achieving Option 1. At the Open Synod Finance Forum an indicative poll was taken to help to understand how people were feeling about the three options at the end of that Forum. Although Option 1 was favoured in the non-binding poll, albeit marginally, some supported Options 2 and 3 and a significant number of others abstained on the basis that they understood the local position which they found at odds to the aspiration of Option 1.

11. **Annexes 1-3** attached to this paper include the wide-ranging *Post it Note* comments from the Open Synod Finance Forum held on 22 July.

Addressing the reality

12. The importance of addressing the reality of our financial situation has been uppermost in all aspects of the budget planning process. This has included the need for greater clarity and engagement with parishes to help shape an achievable budget proposal for 2020. Once we have established this base for 2020 it should enable us to address the reality needed to transition towards a sustainable balanced budget by 2022. Key to this will be the need to be secure about the Parish Share assumptions included in the budget.
13. Option 1 of the consultation sought an additional £184,000 through Share. The consultation paper recognised this additional amount would resource little new work but would help to introduce change at a more measured pace. A reality is that the Board of Finance needs to raise an additional £200,000 per annum simply to resource an uplift in stipends and other inflationary expenditure such as building maintenance and insurances. However, looking at the Share receipts over recent years shows a pattern of decline in the ability of parishes to increase their contributions to Share despite efforts, both general and targeted, to encourage a deeper understanding of Share and higher returns from some parishes.
- 2014: parishes contributed an additional £199,700 (+4.29%) compared to 2013.
 - 2015: parishes contributed an additional £158,500 (+2.96%) compared to 2014.
 - 2016: parishes contributed an additional £89,000 (+1.61%) compared to 2015.
 - 2017: parishes contributed an additional £75,500 (+1.46%) compared to 2016.
 - 2018: parishes contributed £21,500 (-1.03%) less than the sum contributed in 2017.
 - 2019: estimates forecast contributions will be £46,000 less than the sum received in 2018.
- The chart below¹ illustrates the change to cash receipts in the period 2014-2018.



14. The above shows the recent history which highlights that many parishes have lacked the ability to offer and contribute to amounts exceeding inflation. One conclusion is that the ability of parishes to increase their Share contributions is therefore limited. This flags a concern about the reality of achieving the increase required to fund Option 1.

¹ The figures in the chart include arrears for the year which were received in the following year. For example the amount in the column for 2018 includes the arrears received in 2019 relating to 2018.

What should form the base for any change to Parish Share in 2020?

15. Parishes have told us that they will struggle to afford significant increases to Parish Share and this paper has sought to address the reality of the current position with an expected shortfall of £346,000 against the Parish Share request made for 2019.
 16. At the end of August the Parish Share contributions to date were marginally different (+£11,000) compared to the same period in 2018. The forecast for 2019 projects a drop of £46,000 against the 2018 outturn. Given the remaining uncertainty about the actual Parish Share receipt for 2019 there is a need for a realistic and known planning assumption on which to base the 2020 budget. The starting point therefore is that we should achieve at least the same Parish Share as we did in 2018, i.e. **£4,482,000**.
 17. Recognising that we are at a key moment of opportunity the choices we make through this consultation really matter. They will inform our planning as we transition to new models of ministry and mission. The choices will determine both the pace of change and the shape of how that change is delivered and managed. Our transition to new models of ministry will result in a smaller cohort of stipendiary clergy. In December 2019 we will have **87.0FTE** in post and our aim is to transition to **80.0FTE** by December 2022. To inform the transition three choices were offered but in light of a changed starting point (see para. 16) the options have needed some revision.
 18. **Option 1:** Delivering the first step in a more gradual transition to new models of ministry would cost £7,317,000 in 2020. This would require an additional **£238,000** (or +5.31%) on the Parish Share achieved in 2018. This option would fund:
 - **85.0FTE** of the current 100.3FTE permanent stipendiary posts.
 - **15.5FTE** stipendiary curates.
 - Our contribution to the National Church activities (this is set by the General Synod)
 - Resource **25.76FTE** employed posts (either fully or partly funded from Parish Share) and legal and governance obligations as an employer and charity. This includes chaplaincies and support roles for parishes where the Diocesan Board of Finance is the employer.
 - A maximum 2.0% uplift to stipend and salaries wef April 2020.
 - Enable a £100,000 contribution to the work of the Diocesan Education Board (2019 was £100,000; 2018 was £137,500).
- But** this option would also:
- Result in a **further freeze for all budget headings** except where anticipated expenditure is beyond our control.
19. The activities listed above total **£7,317,000** (2019 was £7,520,000). To fund these, the Diocesan Synod would require a minimum income in 2020 from Parish Share of **£4,720,000**. Whilst less than requested in each of the last two years, this amount would be +5.31% higher than the amount we received in Parish Share in 2018 or expect to receive in 2019. The uplift would be above inflation and to deliver this we would need courage and greater generosity. We need to say this because in recent times we have not achieved such an increase in overall contributions to Parish Share (see para. 13).
 20. The hard fact here is that in the budget consultation this option proposed an increase of +3.82% and feedback indicated that this wouldn't be achievable. The costs of delivering option 1 would now require a +5.31% change.

21. **Option 2** sought consensus to support an increase to counter the inescapable cost of inflation, e.g. to make provision for a stipend increase. This option would increase the contributions by **+2.0%**² and would provide the Diocesan Synod with an additional **£89,639**.
22. This option could only be achieved by each parish agreeing to contribute at least an additional 2.0% in 2020. The consequence would be that the Diocesan Synod would either need to find new income of at least **£148,400** or identify expenditure savings of the same amount. These savings would need to be implemented in early 2020. For context the saving would be equivalent to 2.5FTE stipendiary clergy posts which would require an average paid clergy cohort across 2020 of 82.5FTE rather than the planned 85FTE included in option 1.
23. **Option 3** sought to reinforce the consequences of not budgeting for the inescapable costs of inflation (e.g. no provision for stipend increases). This option would require the Board/Synod to find new income of at least **£236,000** or identify expenditure savings of the same amount. This is equivalent to nearly 4FTE paid clergy posts which would require an average paid clergy cohort across 2020 of 81FTE rather than the planned 85FTE included in option 1.
24. The challenge with this option is that the Synod has already achieved savings of £341,000 in 2018 and expects to achieve a further £167,000 in 2019. The scope to make a further £236,000 of savings in 2020 is limited. Furthermore, if a further £236,000 of expenditure savings is required the Diocesan Synod would need to identify and implement expenditure savings before the end of this financial year.
25. A consequence of this option would be an acceleration to the pace of transition from the current 87.0FTE to 80.0FTE or fewer because below inflation increases cannot be sustained without additional reductions to our cohort of paid clergy and supporting staff.

Engagement with parishes

26. Responses to the consultation have been limited and in light of the weakened forecast for Parish Share receipts in 2019 the Bishop's Council, in its capacity as the Standing Committee of the Synod, has agreed that the Synod be invited to debate the budget proposals and consequences thereof at its meeting on 28th September. The aim of the debate is to reach a consensus to enable a communication to parishes about the budget that the Synod is minded to agree. Each Parochial Church Council (or its Standing Committee) would then be invited to give a response in order to help inform the final shaping of a budget proposal that can be offered to the Synod when it meets on 23rd November.
27. This additional engagement with parishes would also help to address some of the concerns raised during the initial consultations of the Parish Share Review Group where parishes feel remote from the financial decisions that are taken which affect the Share they are asked to contribute towards.

Canon Shane Waddle, Diocesan Secretary
20th September 2019

² CPI 12month rate at July 2019 was 2.1% and August 2019 was 1.7%

The Open Synod Forum was asked to identify key issues for discussion about the budget. These were the comments captured. People were asked to think about what had brought them to the meeting, what are the questions they would like answered and what had struck them as most significant.

1. 'We are steadily growing, fragile, but most new people don't give...'
2. Remain ambitions but be realistic!!
3. To hear the drift of the conversation at Diocesan Synod.
4. 'We are up & down very fragile'.
5. New to diocese – want to get a snapshot of what's going on re-money!
6. I am a treasurer and I feel that I need to know what is new in the report, so that this can be discussed in our parish (Heddon). To let people know what is being discussed.
7. It's not 'attractive' to ask for money – 'perception of being generous'.
8. More attention to generosity as a theological principle. If not generous with £££ how likely to be generous in other areas such as new forms of ministry etc.
9. Importance of Parish Giving Scheme – understanding the overall Diocesan perspective – rather than just an individual parish.
10. 'They are there & we have to reach out to them'.
11. How can we cope with less income (from less people)
12. 'Times are tough' (a DFO) most parishes in deficit.
13. How quickly can we change? How might SGP Free help?
14. This cannot continue! We do pay but...
15. Reserves going down! What help is available to parishes?
16. Here to learn more about how we can make work when there is always a short fall. Why does it appear that the richer parishes are the ones who fail to pay their share in full?
17. Can we overlap options?
18. Can we merge options in order to agree a final option?
19. Clarification – ideal & realistic.
20. Time & effort spent raising money!
21. Is 3 years the right timescale?
22. BMO good means of support. (MINE context).
23. What is the wider business plan this budget supports?
24. Education, social justice & other 'outward looking' needs only make up 2%!
25. Duty – Bringing Hope 2%!! Education: Social Responsibility: Interfaith: Ecumenism.
26. What's the balance between realism & aspiration?
27. Share life – churches – clergy.
28. Note massive differences represented on our table
 - a. Geography
 - b. Age
 - c. Site
 - d. Style
 - e. Population etc
29. Starter for 10 – important to have a representative from our church in addition to Robin Brims. Take information back to others at church.
30. If you are on committee, you should turn up!
31. I have finance! But I need to be involved.
32. Reflect the issues facing a less deprived parish.

33. New church warden & my wife!
34. How successful was last year?
35. New to role.
36. Help to communicate the message.
37. In order to be sufficiently briefed for a deanery treasurer's meeting tomorrow!
38. To have a say!
39. To be able to report back to my parish so that they can understand more about how the share is allocated.
40. Review Diocesan paid posts. Could some be taken by lay volunteers? e.g. PICA
41. Enabling ways to listen to each other.
42. How can we be more inventive & creative (to support each other)?
43. Is the 20% less clergy likely to happen through natural wastage (retirees).
44. Balance between resources/people/income/ 'delivering', the good news & vision for God & Kingdom' now & into the future.
45. Sensible discussions about best options. Best value rather than cheapest.
46. Lots of printer ink needed to print out paper.
47. Diocese vs deanery vs parish – which hat to wear? Different perspectives – what's good for the parish? What's good for the diocese?
48. Concern for a loss of direction – are we trying to do too much?
49. Is the diocesan plan the same as the 'word on the street'?
50. People don't want the Church to be like BIG BUSINESS! (although understand things need to be 'viable')
51. Role of Deanery Finance Officer/Treasurer for a parish.
52. How good is Church House at controlling costs?
53. Clarification.
54. To get to know the diocese better and be part of conversations.
55. Forward planning & hope.
56. What questions raised?
57. We should be responding to God's generosity.
58. Is our vision long or short-term?
59. If every parish felt their obligation to pay their share, we could raise the extra needed!
60. Keep the figures simple.
61. Communication as to rationale behind any increase.
62. Lead option is 1 → how do we achieve?
63. How will we manage multi parish benefices over large distances?
64. What is Strategic Capacity Funding?
65. What has happened with the Parish Share Review Group?
66. Concern for money
67. The most realistic option no 3.
68. How do we get this important issue to the parishes?
69. Why do we put money first when we should put people first? More people = more money!
70. Have the Church Commissioners got the right strategy for distributing funds? Can it still be challenged?
71. How many vacancies have we got at present?
72. Needing a broader understanding.
73. P8 - What is transfer in (green) £122k?
74. P8 - What is our income from Diocese of Durham £24k for?
75. Do we have a deanery plan on how to reduce stipends? (for all deaneries).

76. What base do we apply increased % to (full payment or actual payment)?
77. What will we do in 2020? (no restructure funding). How can we fill the gap?
78. How do we combat the perception that the church is wealthy?
79. What is the strategy process for reduction of clergy?
80. This is not a budget proposal, it is an income proposal. What are the real implications on different spending?
81. LICF really helpful.
82. Voice for deprived parish.
83. Uncertainty over CofE Central Funding.
84. Navigating the complexity e.g. understanding LICF.
85. I can see why people are anxious but whether we like it or not this is where we are. So let's look at what we can do, what we have got & perhaps not realised & be brave enough to do something different.
86. Share first projects next or last.
87. Is time scale realistic?
88. Any evidence of relation between appointments & parish share collection.
89. What will the 3 options look like in 3 years time? Taking into account the further reductions from central Church.
90. 'We feel well supported by the Diocese'.
91. How do we help one another understand Parish Share as a duty, a bill, like a mortgage on the house?
92. What about parishes that default on parish share regularly – what to do?
93. Lead option is 1 → how do we achieve?
94. Do we understand what the reality of the request for parish share means at the 'coal face'?
95. Here to represent 3 parishes who expend an enormous amount of time, effort and energy in paying parish share. I'm proud to say all 3 parishes paid last year – but it's like trying to win a gold medal every year!
96. Clarity about the message of parish share allocation.
97. I am committed to paying our share and paying our way. But concerned that I am going to manage decline because not able to disciple.
98. As older members of the churches (who are used to generous giving) de – it becomes more and more difficult to raise enough money for the parish share.
99. P6 - parishes have told us that they cannot afford more to parish share.....How do we know? Evidence? For the 'truth of this...'. Stewardship as a focus, generosity as a theological principle.

ANNEX 2

Those who attended the Open Synod Finance Forum (22 July 2019) were asked to consider the three options set out in the consultation paper. These are the comments offered from table discussions.

1. Are we extending Authorised Lay Ministries?
2. Let's use Ministry teams instead.
3. Some parishes will struggle to pay 3.8% more.
4. There is a suspicion around that parishes are hiding money.
5. We need transparency with money.
6. Are we asking for more money for less? (option 1)
7. What is the new model of ministry & mission.
8. Deaneries are key to enabling – generous sharing – mutual understanding – is God worth it?!
9. Being more generous/open to other churches in the Deanery – working together.
10. What are the new models of mission & ministry & how are parishes going to make the most of them?
11. % increase is irrelevant down to church level.
12. Are percentage increases the right way of framing the question?
13. Whatever the increase if we don't have a treasurer then how do we raise the increase?
14. Need to see laity as 'prime movers'.
15. We need to talk to one another more to support, help & encourage.
16. Do 'we' understand what the money is for? Is there clear understanding of the funding challenge we face?
17. Option 2 makes sense in terms of inflation to stand still. Only give just as much as needed.
18. Assessing financial capacity of each parish requires detailed delicate research.
19. Is a percentage increase the best way to deliver the budget?
20. Allocation of Parish Share is problematic – to deaneries & parishes will still be unresolved in 2020.
21. How are the treasurers going to sell this increase to the wider parishioners?
22. 2019 saw a reduction in parish share of 1.9% so 2020 an increase to 3.8% is just taking us back to where we should be.
23. 80 parish priests → more pro-rata for them to do. But that's not the case as we're looking at new patterns of ministry.
24. How are some posts going to be sustained in the long term (beyond the initial agreement to fund i.e. chaplaincy & resource church funding)?
25. Hassle church consulted with other organisations with similar issues such as English Heritage and other churches.
26. Is 3.82% a percentage increase on each share amount, or 3.82% on whatever level of share a parish gets – 3.82% on all or 3.82% deaneries.
27. Is 3.8% a courageous & generous move when budgets are frozen & some see cuts?
28. Effect of fees on income – different in many parishes.
29. Option 1 may be the best to deliver the expressed new models of ministry & mission, but I have concerns about a reduction in actual numbers of priests.
30. Generosity is share but also all other giving that sustains mission in all its forms.
31. We are asking people for more money but if we grew the church we'd have more people to contribute.
32. Clergy deployment linked to lay empowerment.
33. Need to value whole diocese.
34. Need to escape 'we used to...' thinking.
35. Engage parishioners in this diocesan 'project'.
36. Can't be done without inspiration & culture change.
37. No parish should feel abandoned.

38. Query fixed target figure of 80.
39. Option 1 a good aim – orderly use of clergy.
40. Running costs less glamorous than projects.
41. £184k across 150 parishes is possible – ‘peanuts’.
42. Is 3.8% the minimum amount needed to achieve the plan? – if so then just say so.
43. What does the end game look like? How will the Diocese look?
44. If folk have to put their hands in their pockets for 2% → might as well try for 3.8% as 2% does not get us out of the financial hole.
45. It will be a problems for parishes who are just managing to pay their full share this year – but not as difficult as 3.8%.
46. There is a problem for those parishes who worked hard to pay in full, especially larger ones, who will not be able to achieve this again, even 2%.
47. If we’re in vacancy why are we paying anything? We haven’t got a vicar.
48. Some parishioners say ‘why should we pay as we have less of our vicar?’
49. Is there an option 3a i.e. not increasing but making up the shortfall of the 2019 ask.
50. Amidst this option we are not naming and owning the reality of decline.
51. The well-known givers (parish and people) are already struggling very much to pay what is already being asked.
52. Can we really cut £184,000 of expenditure?
53. What would the different savings mean? Could we not have been given options of saving an expenditure and what it would mean?
54. Tell us what ‘re-imagining ministry’ is really going to look like. What are our parishes going to be dealing with?
55. Wider use of church buildings.
56. Closing churches no longer viable or offer to Historic Churches Trust.
57. Sell redundant vicarages.
58. Intentional use of retired clergy & Readers.
59. Pastoral re-organisation with time to plan for it.
60. Real conversations with congregations about expectation.
61. Option 3 represents a failure & a backward step!
62. Dangerous when people put funds in secret jam jars ... (for diocese).
63. Openness matters – it is great – but it needs to be genuine openness.
64. Does the Diocese have lots of jam jars too?
65. Why no standard way of doing accounts?
66. Has anyone read Acts 2 recently?
67. What are the real sanctions of people don’t pay?
68. Can the diocese have real power to know what people can pay?
69. Is pressure put on parishes who don’t pay their way?
70. What cuts might exist? Is it only staff cuts?
71. Are there any other sources of income in reality?
72. What are consequences if we fall back to this position? What look like in practice?
73. Nobody ‘gets it wrong’ in what we do.
74. Got to separate church & buildings.

ONE CRUCIAL ISSUE YELLOW POST-IT NOTES

Each table at the Open Synod Finance Forum was asked to consider one of the three options and to submit a crucial question (or observation) about that option. These are the points collected at the Forum.

OPTION ONE (from the Budget Consultation paper DS19 10)

- Are we asking for more money to do less?
- Is God worth it?
- 3.8% ↑ for all parishes – locks in inequalities in the present Share system for another year.
- is this really a generous option?
- Can we change culture fast enough to achieve this (desirable) budget?

OPTION TWO (from the Budget Consultation paper DS19 10)

- If we only achieve 2% it is because people understand inflation but don't understand what is really needed. Or why it is needed.
- Would this inspire us for the future or would it encourage further decline in parish share? (we think the latter)
- I really feels as if 2% increase is not the answer, but if we are to inspire people to give more (i.e. 3.8%) they need more detail about the big picture and what the future will look like.

OPTION THREE (from the Budget Consultation paper DS19 10)

- Option 3 – Read conversations with congregations and communities about expectations following pastoral re-organisation.
- Is there an option 3a – i.e. not increasing the Parish Share ask but committing to finding a way in 2020 to make up the 2019 shortfall?
- Could we have been given some realistic options for what different savings on expenditure would actually mean? What would be the true cost on the ground?
- Most important thing – avoid option 3! (if we can) But How??? (we need a good mechanism for mutual help)