

LDBF 2019 Budget

Bigger Church, Bigger Difference

In the Diocese of Liverpool we are asking God for a Bigger Church to make a Bigger Difference, with more people knowing Jesus and more justice in the world. To achieve that vision we are focusing on five key numbers:

- 1: Bring One Friend
- 10: Do Ten Things
- 100: One Hundred New Congregations
- 1,000: One Thousand New Leaders
- 10,000: Ten Thousand Christian disciples signing up to our Rule of Life

Our budget is set within the context of the above strategy and aims to support and enable our drive towards seeing a Bigger Church to make a Bigger Difference, with more people knowing Jesus and more justice in the world.

Fiscal Rules and a New Budget Cycle

The draft budget set out for 2019 is the first in a new cycle of budgeting set within the framework of fiscal rules introduced by the Finance Committee during 2018. The fiscal rules established by the Finance Committee are designed to ensure that we achieve financial breakeven over an extended budget cycle of three years, with scope remaining to cushion against the emergence of sudden and sharp financial challenges.

The Fiscal Rules within which the 2019 budget is prepared are:

1. We aim to achieve break-even in each financial year and over the triennial cycle. Financial losses may be acceptable on a limited scale over a short period, within the context of breakeven over the triennium.
2. Parish Share and Lowest Income Communities Funding are to fund Missional Leadership. Investment income (rental and dividend), earned income and grant funding are to fund St James' House Services. Any imbalance between St James' House services budget and Missional Leadership budget is to be limited to within £100,000 in any given year.
3. Missional Leadership budget variance to be distributed or recovered within each triennium.
4. Strict budget discipline to apply in all areas of activity. Flexibility between budgets is acceptable, flexibility beyond budgets is not.
5. Investment and cash reserves must be maintained at a minimum of four months operating expenditure.

2018 Financial Performance

For 2018 we set a budget with a deficit of £49,000. We are falling short of this budget by £264,000 due to:

1. Missional Leadership expenditure (£177,000)
2. Clergy Housing expenditure (£43,000)
3. Fees income from funerals and weddings (£33,000)

We are not meeting budget in these three areas which represent significant financial challenges to us for the following reasons:

1. Missional Leadership: Across the Church of England the number of trained clergy is falling quickly. If we are to maintain the number of stipendiary clergy at current levels we cannot continue to rely on importing clergy from other Dioceses and must urgently increase the numbers of locally-developed leaders from within the Diocese of Liverpool. In response to this we have achieved an increase of 50% in the number of high quality candidates for ordination and the numbers of Curates in training in Liverpool. This is central to the '1000 Leaders' element of our strategy and requires immediate investment. Our new model of curacy ensures that this increase is financially sustainable by 2021, but we anticipate financial losses of £180,000 during 2018 in funding this investment in leadership. With careful management of parochial vacancies we are confident of breaking even on this budget in 2019.
2. Clergy Housing: We are facing significant challenges in managing expenditure on housing as the need for investment in our housing stock becomes more evident. In the short term we are challenged in prioritising need within an increasingly stretched budget and whilst the longer term challenge is to establish a fully-funded investment model that will lift the standard of homes for clergy and their families. This is a challenge of increasing urgency and we anticipate reporting back to synod in March to set out a strategy for significant medium-term investment in this area.
3. Fees from weddings and funerals: We have experienced a significant and continuing decline in fee receipts from funerals and weddings. The number of Anglican funerals conducted locally and nationally has been in consistent decline and the role of the church in bereavement ministry is significantly weaker as a result. In 2018 we have established the Good Funeral Company and appointed Rev Juliet Stephenson so address this decline. The financial benefits of this work will not be immediate but it is crucial to our longer term financial health.

On the positive side we have met the budgetary challenge of a newly emerged pension deficit within St James' House Services through restructuring savings of £125,000. We anticipate that the real benefit of these savings will begin to show in 2020 when our pension liability is resolved and we can begin investing in further growth initiatives. We are also continuing the process of aligning our budget to serve our strategic priorities as effectively as possible.

2019 Budget

The 2019 budget and the draft budgets for 2020 and 2021 must sit within the parameters of our fiscal rules. Over the triennium we budget to breakeven and our current assumptions are:

2019 – Budget deficit of £5,000
2020 – Budget deficit of £15,000
2021 – Budget surplus of £20,000

Whilst the 2019 budget is in final draft form, the 2020 and 2021 budgets will remain live and in refinement over the coming year in response to the shifting financial landscape. The three year cumulative position from 2019-2021 will breakeven or better.

The headline points taken from the 2019 budget are as follows:

1. Missional Leadership costs – 2% maximum increase
2. Deanery Mission and Growth Funding – held at 2018 levels
3. Parish Share * – 2% overall increase
4. A maximum deficit of £5,000 within a three-year cycle of breakeven

Diocesan Synod is invited to endorse the 2019 budget and approve a Parish Share increase of 2%.

Matt Elliott
October 2018

** 2019 will be the last year under which Parish Share is calculated under the current 'Option 1' system, on a parish by parish basis. From 2020, Deanery Parish Share will be introduced and as a result Missional Leadership costs and Parish Share totals may begin to change in response to changes in each deanery's mission plan. This will not impact positively or negatively on the overall budgetary position.*