

Treasurer's report on Diocesan finances

October 2023 Synod agenda paper

At the Synod I will give a brief resumé of the financial results of the Diocese, covering the 2022 audited accounts, the current year to date and the budget for 2024. For those that want to make closer inspection, the 2022 accounts are available on the Diocesan website (link in agenda papers), and I attach a single page summary showing, for the General Fund:

- The audited financial outcome for 2022;
- The budget for 2023;
- The unaudited result for the half year to June 2023 compared to budget;
- A projected outcome for the year 2023 compared to budget; and
- The draft budget for 2024

My main focus is on the General Fund, because that covers the main day-to-day expenditure of the Diocese and most of its funding comes from quota. The Synod will be asked to vote to accept the 2024 budget and, in consequence, the level of quota for the year ahead.

Year to 31 December 2022

The year marked something of a return to normal after the pandemic years of 2020 and 2021. Staff had left without being immediately replaced during those years, and 2022 saw a rebuilding of the staff team with a particular focus on providing support to clergy with the appointment of a Ministry Development Officer. Provincial quota, which had been very substantially reduced in 2021, rose by 12%, but we kept the increase in Diocesan quota to just 2%, planning to balance surpluses arising in the pandemic years with a deficit in 2022.

In the event, increases in UTP distributions, and a difficulty in recruiting a new Youth and Children's Officer following Claire Benton-Evans departure mid-year, along with other savings and timing differences, led to a budgeted General Fund deficit of £25,000 becoming an actual surplus of £27,000. Anticipating this, and conscious of the significant increase to stipends, a deficit budget was again set for 2023, the increase in quota being limited to 2.5%, despite provincial quota and many other costs rising by 6%.

Nine months to 30 September 2023

At the February Synod I reported that expenditure was under budget, because at that stage we had still not filled the posts left vacant by the departures of first Claire and then, later in 2022, of Jane McLaren. The single appointment of Fiona Reynolds in April to a combined and reshaped role has brought us back closer to budget. However, an estimated salary saving over the year of

£15,000, added to further increases in UTP distribution rates, is now projected to result in a surplus of around £23,000 compared to a budgeted deficit (before the contingency allowance) of £17,000.

Budget for 2024

Provincial quota is due to rise by another 6% next year as it moves back to pre-pandemic levels, and general inflation levels are not dissimilar. With all posts filled, I expect next year's expenditure to be nearly 12% higher than in the current year. However, I am conscious that vestries face another rise in stipend of 7.8% on top of the withdrawal (in whole or in part) of Transitional Stipend Support, together with significantly increased energy costs and the prospect of expensive work to improve the energy efficiency of their buildings. I have therefore proposed, and Standing Committee has agreed, that quota should rise by only 3% in 2024.

This would mean that, in the three years post pandemic, Provincial Quota paid by the Diocese will have risen by just over 25%, while Diocesan quota income will have gone up by only 7.7%. This has been funded in part by increased investment income, but also by operating with unfilled posts. It seems inevitable that the delayed return of quota to pre-pandemic levels will have to happen soon, particularly if we are to part-fund the proposed Green Rectory grants, soon to be considered by the Provincial Standing Committee. And if our funding from these, as for the Investing in the Future initiative, is to come from the investments we hold in our reserves, it will in due course result in lower UTP income and so indirectly work its way into quota calculations.

Other Funds

The St Hilda's and St Andrew's Funds continue to make grants to congregations for mission and building projects; well taken up last year, less so in 2023 so far. St Hilda also funds Diocesan support for the Berwickshire grouping of Charges.

Payments are now beginning in connection with 'Investing in the Future' projects. The likely cost in 2023 is just over £20,000, the forward commitment over five years to be £750,000 in total. This will require a gradual redesignation of funds from our capital reserves where currently they are invested in the UTP to provide income for the General Fund.

Ian Lawson
Diocesan Treasurer
18 October 2023

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General Fund: Half year 2023 accounts and 2024 Budget

2022 Gen Fd Actual £'000	2023 Gen Fd Budget £'000	INCOME	2023 General Fund				2024 Gen Fd Budget £'000	Comments re budget figures
			Actual 6 months £'000	Budget utilised	Projected 12 months £'000	Projected budget use		
4.3	3.3	Donations	0.7	20%	2.0	61%	2.5	Recurring donations plus target of £500 from Big Events
484.3	496.9	Quota from congregations	248.2	50%	496.9	100%	511.8	Proposed increase of 3%
56.5	62.7	Provincial grants for Gen Fund costs	32.3	51%	64.5	103%	69.5	Assume increases in line with stipend
9.5	8.4	Other grants (Benefact and Walker)	-	0%	13.4	160%	7.2	Benefact only - as advised. Walker not predictable
18.1	18.3	Income from charitable activities	2.5	14%	18.5	101%	18.0	£5k rent (Newcraighall); £13k clergy conference
6.6	10.1	Income from Diocesan services	5.4	53%	9.1	90%	8.7	Admin fee from Walker Fund and printing.
80.3	71.6	Investment income (UTP and bank)	46.0	64%	92.1	129%	92.2	Assumes same level as 2023
659.6	671.4	TOTAL INCOME	335.1	50%	696.5	104%	710.0	
		EXPENDITURE						
270.7	284.7	Provincial quota and wider church involvement	141.5	50%	284.5	100%	301.5	6% increase advised by Province
110.8	126.4	Office of Bishop and Dean	61.7	49%	129.2	102%	152.3	Includes net zero works on Bishop's house
109.6	111.3	Mission and Ministry (note 1)	22.5	20%	96.6	87%	118.3	Detail below
123.8	148.7	Support Costs (note 2)	70.4	47%	143.2	96%	160.5	Detail below
21.1	17.3	Governance	7.1	41%	19.9	115%	20.2	
635.9	688.4	TOTAL EXPENDITURE	303.2	44%	673.3	98%	752.7	
23.7	(17.0)	Net income/(expenditure)	31.9		23.2		(42.7)	
	20.0	Contingency			10.0		20.0	As last year.
23.7	(37.0)	Surplus/deficit	31.9		13.2		(62.7)	

2022 Actual	2023 Budget	NOTES	Actual 6 months	Budget utilised	Projected 12 months	Projected budget use	2024 budget	
1 Mission and Ministry								
2.6	3.8	Training for the clergy	0.2	4%	3.1	82%	3.7	Pre-ordination support
67.3	49.5	Support for existing clergy and lay readers	6.1	12%	43.9	89%	74.9	Includes full ACL salary (2023 half under Y&C)
7.9	7.8	Central mission costs	2.4	31%	9.8	127%	8.3	2023 includes one-off Newcraighall costs
14.4	25.9	Youth & children	3.6	14%	14.6	56%	1.2	Only Y&C expenses in 2024 - salary is under ACL.
14.3	15.5	Administrative support	7.5	48%	17.0	109%	19.8	Additional hours since June 2023
3.1	8.8	Grants to congregations and individuals	2.8	31%	8.2	93%	10.3	Grants for CMD; ordinands; Rectory EPCs
109.6	111.3		22.5	20%	96.6	87%	118.3	
2 Central support costs								
66.1	82.3	Staff	41.3	50%	82.7	100%	88.8	Based on current complement with 6% increase
27.8	30.7	Office costs	15.1	49%	30.9	101%	33.0	Assumes 6% inflation and heating costs included in rent
29.9	35.6	Facilities and services	14.0	39%	29.5	83%	38.7	Includes potential for vestry support grants
123.8	148.7		70.4	47%	143.2	96%	160.5	