

The Anglican Diocese of Gippsland



*For which of you, intending to build a tower,
does not first sit down and estimate the costs,
to see whether he has enough to complete it?
Otherwise, when he has laid a foundation and
is not able to finish, all who see it will begin to
ridicule him, saying, “this fellow began to build
and was not able to finish.” Luke 14:28 – 30*

Parish Budget Preparation Guide

27 August 2019

Our Vision: Growing in Christ, into the fullness of human life and inviting others to go with us on the journey

Introduction

Towards the end of each church year most parishes in the Diocese of Gippsland are undertaking a process of developing their budgets for the following year. This guide attempts to assist Parish Councils and Parish Treasurers in establishing their budgets.

A budget is the financial expression of a parish's vision: - The short-term implementation of the long-term direction of a parish. Any budget should be reviewed and compared against the parish vision and/or mission statements. Is the parish doing in terms of funding what its vision or mission statements state it intends to do?

It is the parish's plan to quantify the available resources and focus the use to accomplish the mission of the church as expressed through the ministries in the parish. The annual budget is a key tool for planning and control. It requires a balance between faith and realistic expectations.

Development of a parish budget

The Treasurer of a parish needs to prepare a realistic budget for the year ahead knowing the pattern of expenditure based on previous years. This often requires a bit of intelligent estimating of the annual totals based on 10 - 11 months' figures and the knowledge of previous years' patterns of receipts and payments. The advantage of having complete and relevant information is obvious, but if this is left too late it leaves little time for the budget to be adopted by a parish council before the first day of the year to which it relates.

The budget is usually drafted by the Treasurer and should be discussed with the Rector and the various committees of the parish council before presenting it to the full parish council. If the receipts and payments accounts provide for a deficit, this must be resolved. Providing there are reserves which can be called upon, a small deficit in one year is tolerable; but unless there are exceptional reasons, budgeting for a deficit is a very unwise thing to do. It means that the church plans to spend money it does not expect to receive. In that case, expenditure must be contained until income improves, and the budget will reflect this. The budget should be monitored over the course of the year and if the position improves, a supplementary budget may be considered.

When the parish council has agreed on the budget for the year, it should be publicised so that the parishioners may know the details of how the parish council intends to spend the money it expects to receive in the year ahead.

Things to consider

s29B & s54 of the Parish Administration Act 1994 sets out the essential obligations of administering the general funds available to a parish. A budget should seek to meet all the financial obligations that arise in the course of the year.

Parish Administration Act 1994

29B Financial responsibilities of parish council

- (1) *The parish council, subject to and in accordance with Part 5, shall arrange for money received by the parish to be deposited with a bank or such other institution as is approved by the Bishop in Council.*
- (2) *The parish council shall ensure—*
- (a) that there are kept records of all receipts and payments of the funds of the parish, including funds of all centres of the parish and all organisations of the parish (other than funds to which sub-section (3) applies); and*
 - (b) that the accounts of those funds are made up and closed as at 30 September each year; and*
 - (c) that the audited financial statements of those funds are laid before the annual meeting of the parishioners.*
- (3) *If, with the approval of the parish council, there are separate funds for a church in a parish, the parish council shall ensure—*
- (a) that there are kept records of all receipts and payments of those funds; and*
 - (b) that the accounts of those funds are made up and closed as at 30 September each year;*
 - (c) that the audited financial statements of those funds are laid before the annual general meeting of the parishioners.*
- (4) *The parish council shall direct the administration of parish funds, subject to any specific trusts.*
- (5) *The parish council may raise funds for the purposes of the parish by direct giving or such other appropriate means as it determines, subject to this Act.*
- (6) *The parish council shall pay out of the funds at its disposal the stipends, remuneration and allowances of the incumbent and ministers of the parish and the salaries of any lay workers.*
- (7) *The parish council shall pay promptly all accounts required to be paid under this or any other Act or by resolution of Synod.*

54. Administration of funds

The parish council shall administer its general funds subject to the following obligations and order of priority:

- (a) payment of the amounts given in the monthly invoices issued by the Registrar in respect of—*
 - (i) the incumbent and other ministers of the parish, including amounts payable in respect of long service leave, the provident fund and insurance;*
 - (ii) the parish assessment and all other outgoings;*
- (b) payment of expenses incurred in the conduct of the parish's affairs;*
- (c) payment of contributions from its funds towards the work of the Church beyond the parish in accordance with any diocesan scheme for parish giving for this purpose;*
- (d) payment of reasonable expenses incurred by the clergy and lay representatives in Synod or conferences approved by the parish council;*
- (e) payment of other expenses.*

Identifying Costs

Generally parish expenditures can be broken down into two categories:

Core (fixed) costs These are usually costs that can not be avoided. These would generally include the costs outlined in section 54 (above). Stipendiary costs, assessment, debt obligation costs and property maintenance costs (utilities, insurance, et cetera.) are all core costs.

Program costs (operating costs) These are the costs incurred in carrying out the various ministries of the parish such as Sunday School, youth ministry, adult education and outreach programs to name a few.

The process

The following is a recommended process that you may wish to adopt enabling enough time and to allow due consideration of all matters relevant to developing your parish budget.

1. Meet with the Rector to discuss the cost implications of their plans for the coming year. This could include new programs to be introduced and could also include ending existing programs. For example, a new Bible study program or outreach initiative could have cost implications.
2. Review the Parish Council minutes. Motions may have been passed throughout the year which will have financial implications for the coming year.
3. Consult with group leaders and individuals responsible for various ministries. These people should be contacted and asked to submit proposals and/or budgets for their area of responsibility for the coming year. The wardens should be consulted as to any operational and possible repairs required on church property.
4. Unfortunately, the diocese is unable to determine the increase in stipend until January each year, however providing for a 3% increase on an annual basis means that in most occasions this will be accounted for. Similarly, insurance premiums are not determined until late December, but this information will be provided as soon as it is available.
5. Review the core or fixed costs of the previous and/or the current year based on the most current information available. While some core or fixed costs cannot be accurately determined, some may require best estimate. Utility costs, in the environment of rising power costs for example, can only be estimated.
6. Budget for parish giving and other revenues such as fundraising activities and investment income based on realistic estimates derived from previous years rather than applying aspirational targets.
7. Prepare a draft budget for parish council review. If there is an anticipated shortfall, parish council may recommend adjustments, deletions or deferrals.
8. Based on the input from parish council, a final budget is prepared and presented to parish council at their next meeting. Parish council passes the motion recommending its approval at the annual meeting of parishioners.

The Parish Relationship With The Diocese

The Diocese invoices parishes for the parish costs in relation to ministry and other operational charges on a mainly cost recovery basis. Parishes are obliged to meet these expenses as and when they become due. The Diocese does not maintain large financial reserves and can only carry parish liabilities in the very short term. If for any reason, your parish is having trouble paying, please contact the Registrar as soon as possible. Depending on when parish costs are incurred, invoices are sent to parishes periodically: fortnightly or monthly. Most parishes will see an increase in their insurance costs. There are several factors at play here. The premiums required by the insurer take into consideration (i) building replacement value, (ii) your parish share as a percentage of the overall parish share (iii) the increased cost of insurance and (iv) claims made in 2019 against the insurance reserve.

As section 57 of the Parish Administration act sets out (below). Parishes should only retain an amount of cash not exceeding twice the amount of invoices received from the diocese (i.e., two months' worth of anticipated expenditure). This policy is in place to enable the regular transfer of parish reserves into an investment account, which interest eventually returns to the parish. Retaining the money through the building up of large cash reserves in parish accounts has significant impacts on both the returned interest income and the financial stability of the diocese.

57. Parish funds

- (1) *A parish council must ensure that the amount of parish funds held for the time being by the parish council (whether on deposit with a bank or other institution or otherwise than by the Trusts Corporation or on deposit with the Anglican Development Fund – Gippsland) does not at any time exceed twice the amount of the invoices under section 54 (a) last received, or such lesser sum as the parish council determines from time to time.*
- (2) *A parish council must ensure that parish funds, other than an amount or amounts not exceeding in total twice the amount of the invoices under section 54 (a) last received, or such lesser amount as the parish council determines from time to time, are deposited with the Registrar for investment –*
 - (a) *by the Trusts Corporation on behalf of the parish; or*
 - (b) *in the Anglican Development Fund – Gippsland.*
- (3) *If a parish, or the incumbent for the time being, or any organisation or church of a parish, is a beneficiary under any trust or is entitled to the income, or any part of the income of any property, the property of the trust or other property must be held by the Trusts Corporation, except to the extent that the terms of the trust or other deed otherwise provide.*
- (4) *Nothing in sub-section (2) affects the right of a parish council to use parish funds in any manner it determines, subject to compliance with the terms of any trust or conditions applying to the use of the funds.*

(5) The Registrar must ensure that –

- (a) parish funds deposited with the Registrar for investment –*
 - (i) are invested by the Trusts Corporation in accordance with the Church Funds Act 2001, whether in a common fund or otherwise; or*
 - (ii) are invested in the Anglican Development Fund – Gippsland 32;*
- (b) parish funds are made available to the parish council for use as it determines;*
- (c) interest earned on the investment of parish funds in accordance with this section is credited to the account of the parish in accordance with the terms of investment or as otherwise determined by the Bishop in Council;*
- (d) appropriate accounting and other records are kept so that all transactions affecting parish funds are properly recorded;*
- (e) statements and accounts of parish funds are provided to the parish council at least twice a year and at such other times as the Bishop in Council determines.*

(6) In this section, "parish funds" includes money of the parish council or any church of the parish or any organisation of the parish or any church of the parish.

Further resources available

The Diocesan Website contains links to:

- The Parish Administration Act
- The Administration Handbook
- Guidelines for Parish Treasurers.

Please feel free to contact the registry team for further information.

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