

GENERAL SYNOD

FEBRUARY GROUP OF SESSIONS 2014

FIFTH NOTICE PAPER

ITEM 9: DRAFT DECLARATION ON THE MINISTRY OF BISHOPS AND PRIESTS AND DRAFT RESOLUTION OF DISPUTES PROCEEDURE REGULATIONS

DRAFT BISHOPS AND PRIESTS (CONSECRATION AND ORDINATION OF WOMEN) MEASURE; DRAFT AMENDING CANON NO. 33

ITEM 500 DRAFT ACT OF SYNOD RESCINDING THE EPISCOPAL MINISTRY ACT OF SYNOD 1993

ITEM 504: DRAFT PAROCHIAL FEES AND SCHEDULED MATTERS AMENDING ORDER

ITEM 506: LEGAL OFFICERS (ANNUAL FEES) ORDER 2014

ITEM 12: SAFEGUARDING: PROPOSALS FOR LEGISLATIVE CHANGE

ITEM 13: ENVIRONMENTAL ISSUES

Financial statement pursuant to Standing Order 98

1. Financial Statements under Standing Order 98 set out the estimated financial effect of implementing recommendations of reports and taking forward motions if they are passed by the Synod. In most cases figures provided are approximate, recognising the inherent uncertainty in estimating various factors. Members are asked to take this statement into account alongside non-financial factors when considering these items of business.
2. Estimates of the financial implications of any amendments proposed by Members will be provided either in a subsequent notice paper or in an oral statement from a member of the Archbishops' Council's Finance Committee who is a General Synod member (usually the Chair).
3. An item is included in this memorandum only if (i) the estimated additional cost is £10,000 or more or (ii) the estimated opportunity cost (e.g. staff time likely to be involved) is £20,000 or more.
4. If the cost of work on any motion, if passed, would fall to the Archbishops' Council, it would be met from within the Council's 2014 budget which Synod approved at its July 2013 Group of Sessions. For any work not already scheduled, the relevant Director, in consultation with others, would consider whether other work of similar cost should be dropped or postponed or if additional, unbudgeted, staff resource could be provided by securing funding from another source. Estimates of staff time are usually an opportunity cost, illustrating the cost of other work that would need to be dropped or deferred. If it is not possible to drop or defer sufficient other work, there would be an impact on the timescale for delivery of the requested work.
5. All costs are estimated at 2014 levels unless otherwise stated. Costs include relevant salaries, employers' national insurance and pension contributions. They exclude office costs such as the printing and postage costs involved in the preparation of new legislation, and the opportunity cost of Synodical time.

- ITEM 9: DRAFT DECLARATION ON THE MINISTRY OF BISHOPS AND PRIESTS AND DRAFT RESOLUTION OF DISPUTES PROCEEDURE REGULATIONS (GS 1932)**
- DRAFT BISHOPS AND PRIESTS (CONSECRATION AND ORDINATION OF WOMEN) MEASURE (GS 1925A)**
- DRAFT AMENDING CANON NO. 33 (GS 1926A)**
- ITEM 500 DRAFT ACT OF SYNOD RESCINDING THE EPISCOPAL MINISTRY ACT OF SYNOD 1993 (GS 1934)**

6. Following the completion of the Revision Stage for the draft legislation, the next stage in the legislative process would be a formal reference to the dioceses under Article 8 of the Synod's Constitution. The staff time spent and cost incurred nationally in respect of the Article 8 reference would be relatively modest, but some time would clearly need to be devoted to resourcing it at diocesan level, the amount of which would increase in any diocese which referred the matter to deaneries. It is not, however, possible to assess realistically the amount, and associated cost, of diocesan staff time involved.
7. The cost of staff time to revise the draft Declaration and Regulations to be made by the House of Bishops and to steer the package through all the required Synodical and Parliamentary stages (including the Article 8 reference and the draft Act of Synod), which would depend on further decisions to be taken by the Synod, is estimated at £37,000.
8. Before their Final Approval, it would be possible for Article 7 references to be claimed by the Convocations and House of Laity in respect of the draft Measure, the draft Amending Canon and the draft Act of Synod. In the event that they did so, the associated costs would not be expected to be significant.
 - Estimated cost of staff time to steer the draft legislation and other elements of the package through all remaining Synodical and Parliamentary stages: £37,000.

ITEM 504: DRAFT PAROCHIAL FEES AND SCHEDULED MATTERS AMENDING ORDER (GS 1937)

9. The Parochial Fees Order 2014 sets out proposed base fee levels based on the four principles set out in GS1813. The revised based fee levels which reflect updated data on current costs result in slightly higher increases applying to fees payable to PCCs than those payable to DBFs in almost all fee categories. The Order also provides for additional annual increases in each year 2015-2019 based on RPI for the twelve months to the preceding September.
10. If the Fees Order is approved, taking into account the proposed base fees and assuming RPI inflation of 3% for the twelve months to September 2014, it is estimated that the fees payable to DBFs in 2015 would be around £1.8 million more than that in 2014. This is on the assumption that a similar number of weddings, funerals and services in crematoria are carried out in 2015 as in 2011 (the most recently available complete data).
11. On the same assumptions, if it is assumed that around 20% of the sum recorded by PCCs in their parish finance returns as fee income relates to sums collected on behalf of third parties, it is estimated that fee income retained by all PCCs in 2015 will be around £2.5 million more than their retained fee income in 2014.
 - Estimated additional fee income to DBFs in 2015: around £1.8 million
 - Estimated increase in PCCs' retained income from occasional offices in 2015: around £2.5 million
12. The Fees Order makes provision for further fee increases in 2016-2019 in line with future RPI increases. On the assumptions above if RPI were to increase by 3%, it is estimated that over this period fees receivable by DBFs would increase by around £0.9 million p.a. and fees retained by PCCs would increase by around £0.8 million p.a.

ITEM 506: LEGAL OFFICERS (ANNUAL FEES) ORDER 2014 (GS 1938)

13. If the motion is passed, the fee levels for diocesan registrars and provincial registrars from the start of 2015 will be as set out in schedule 1 of GS 1938. The aggregate of the proposed fee levels for 2015 is £135,000 (5.6%) more than in 2014. The amount met by Diocesan Boards of Finance would increase by £74,000 (5.8%) overall and the fees which are the liability of the diocesan bishops (which are funded by the Church Commissioners) would increase by £61,000 (5.4%). The increases for individual dioceses (excepting West Yorkshire and the Dales, which is subject to transitional arrangements as explained in GS 1938-9X) range between £900 (2.3%) and £4,500 (6.0%).
14. It is implied in paragraph 13(a) of GS 1938-9X that these fees will increase by a broadly similar sum for each of the following four years. But as Orders come before the Synod on an annual basis, it will be able to decide whether to approve any such increases as and when they are proposed.
15. In recent years, including 2014, the annual increase for diocesan registrars' fees (but not provincial registrars' fees) has been calculated using a formula of 25% of the increase in the retail price index and 75% of the increase in average weekly earnings. Under the previous arrangement fees would have been increased by 1.35% as RPI increased by 2.7% and average earnings by 0.9%. Compared to the fees that would have applied under the previous policy the proposed fees represent an increased cost of £57,000 spread across the DBFs and £39,000 for the Church Commissioners (4.5% and 3.5% of the 2014 fees respectively).
- Prospective increase in diocesan and provincial registrars' fees over 2014 levels: £135,000 (DBFs: £74,000, Church Commissioners: £61,000)

ITEM 12: SAFEGUARDING: PROPOSALS FOR LEGISLATIVE CHANGE (GS 1941)

16. The cost of staff time to see the draft legislation envisaged in item 7 through all the necessary Synodical and Parliamentary stages is estimated at £45,000. Approximately 20% of this relates to

preparing draft legislation for First Consideration. The estimate for subsequent work, which would depend on further decisions to be taken by the Synod, is broadly evenly split between (i) the Revision Stage and (ii) the remaining Synodical and all Parliamentary stages.

17. If the legislation included an obligation on a diocesan bishop to appoint a diocesan safeguarding adviser in accordance with regulations made by the House of Bishops, dioceses will need to review whether the safeguarding resource already in place was sufficient to comply with the new requirements. The details of these will be set out in the regulations rather than in the measure.
18. All dioceses have some advisory capacity so the additional cost would depend on the extent to which the regulations imposed requirements beyond what existing advisers could reasonably be expected to meet. Each diocese would need to undertake a survey to assess the potential size of any gap before the regulations are prepared and submitted to the House of Bishops for approval. By way of illustration, the annual staff cost of a full time person with relevant skills and experience is estimated at between £40,000 and £70,000 depending on factors including seniority of the post and location.
 - Estimated cost of staff time to steer the draft legislation through all the Synodical and Parliamentary stages: £45,000.
 - Illustrative **full time equivalent** annual cost of one safeguarding adviser (should any diocese need to increase its resource by one full time post): between £40,000 and £70,000.

ITEM 13: ENVIRONMENTAL ISSUES (GS 1942A and GS 1942B)

19. If part e(i) of the motion was passed, the three Church of England National Investing Bodies (NIBs) would be invited to consider disinvesting from the integrated oil and gas, and oil and gas exploration and production sectors of the index. It is inevitable that over time certain sectors of the equity markets will provide investors with different returns than the market as a whole. As an illustration of this between 2001 and 2013 the MSCI All World equity index has outperformed the same index excluding oil and

gas companies by an average of 0.25% p.a¹. The performance impact of oil and gas companies on the MSCI All World index in twelve month periods has ranged between +2.2% and -2.1%.

20. If any of the NIBs did decide to disinvest fully from oil and gas companies, the financial impact of this decision would be likely to be positive in some years and negative in others. However, if the long term performance difference for such stocks were to prevail (i.e. -0.25% p.a.), the illustrative impact² on the NIBs' funds in a twelve month period is estimated to be as follows:

- Based on the Church Commissioners' overall exposure to equities, there would be an opportunity cost of around £7.5 million in the value of their assets. Using the actuarial assumptions at the end of 2012, this would reduce the actuary's assessment of the unsmoothed amount the Commissioners are able to distribute as non-pensions support by around £150,000 p.a.
- Based on the Pensions Board's overall exposure to equities, there would be an opportunity cost of around £2.5 million in the value of their assets. This would lead to an increased deficit in the pension schemes and could over time result in increased deficit contributions being charged to those responsible for meeting pension contributions (estimated at £260,000 p.a. for the duration of the deficit recovery period if charged immediately).
- Based on the CBF Church of England Fund's overall exposure to equities, there would be an opportunity cost of around £1.0 million in the value of the funds' assets and the income distributed to fund holders would reduce by around £40,000 p.a.

21. It should be noted that if an investor adopts a more restricted investment policy, this will result in a more concentrated portfolio

¹ This compares with an average difference in investment returns from 2001 to 2013 of the FTSE 350 and those of the FTSE 350 minus companies excluded from investment under current EIAG recommended policies of -0.7% per year: the same figure as over the twelve years to the end of 2012 stated in GS1942B.

² As noted in GS1942B, this estimated 'cost' would be realised in passive mandates if the historic rate of -0.25% p.a. applies to the future, but the extent to which it would be realised in active investment management (or indeed whether it would be realised at all) would depend on how well the investment decisions of the active manager in respect of both sector and stock selection play out.

and reduce the investor's ability to spread the risk of equity investment.

22. As stated in paragraph 18 of GS1942B, if part e(iii) of the motion is passed, it is envisaged that the General Synod Working Group on the environment would replace the existing *Shrinking the Footprint* Group. So additional costs would only be incurred in respect of any additional work the new group was tasked to do or if its membership was greater than the existing group. Such costs are likely to be below the normal £10,000 threshold for comment.

John Spence
Chair, Archbishops' Council Finance Committee

February 2014