



The Diocese of Bristol 2009 Budget

Foreword by the Chairman of the Board of Finance

The budget setting timetable has followed a similar pattern to previous years, but again with a later start, which allows us to advise spending committees of their actual spend for the year just finished. The process began in early 2008 with spending committees being invited to put forward their bids to the Diocesan Secretary. Bids were scrutinised by a Budget Committee drawn from the membership of Bishop's Council and Finance Committee, with interviews being held with representatives of some spending committees, before being consolidated and considered by Bishop's Council in mid-June.

Following the meeting of the Council, the proposals were presented to representatives of Deaneries and parishes at a series of meetings held across the Diocese to allow consultation and questions and explanations. The consolidated total presented in the Diocese was a surplus of £47,132.

A small number of adjustments has been made to bring the present total to a deficit of £9,563. Bishop's Council has considered this deficit and the figures underlying it, and recommends it to Diocesan Synod for approval.

Background

The agreed budgets for recent years have been deficit £147,000 for 2005, surplus £20,000 for 2006, deficit £158,000 for 2007 and deficit £1,000 for the current year. In reality, these are near breakeven, given that an "error" of just 1% in Income and Expenditure translates into some £150,000.

Actual results have been mixed, a surplus of £346,000 in 2005, followed by deficits of £9,000 and £548,000 in (respectively) 2006 & 2007. The results have been augmented or mitigated by surpluses on the disposal of some Board properties, no longer required (not Parsonages, which accrue to the Stipends Fund).

The large deficit in 2007 was in part caused by the realisation of a £147,000 cost relating to the Clergy Pension Scheme. At the time the Budget was agreed, we knew that we would be required to make an additional contribution but had not been advised of the amount. During the year, with considerable oversight and frequent reporting, we also spent an additional £231,000 on maintenance of (for the most part) parochial clergy housing.

2009 Share

The large deficit in 2007 was also in part caused by the shortfall in Share, some £480,000 of the £5.6m requested. A further concern was the falling of the overall collection rate. In recent years this had gradually increased to a high in 2006 of 93.9%, but fell back substantially to 91.5% in 2007.

The shortfall in the overall sum received and the decline in the collection rate are of sufficient concern that Bishop's Council has decided to recommend a freeze in the present method of allocation for one year, whilst consultations are conducted as to whether the Share allocation system is as fair as we believe it to be, or whether we should be doing it differently anyway.

These proposals for 2009 reflect an increase in share of 2.5%, 1% lower than that included in earlier drafts, including that presented in the meetings across the Diocese.

It is now proposed that – for one year only – in 2009, each parish will be asked for 2.5% more than has been asked for in 2008.

Expenditure in 2009

In 2003 the Diocese agreed the Strategy for the years 2005-2010, which included a plan to reduce the total number of stipendiary posts by 21 before the end of the strategy period. The budgets for 2005 through to 2008 incorporated a reduction of a little under 10 posts and there is a further small reduction in these proposals. When building the Budget for parochial staff, we have assumed in recent years that there would be the equivalent of 10 vacant posts at any one time, an increase over the 8 used for previous years; the Budget for 2009 retains the allowance at 10 posts. We have recently looked at actual vacancies for past years and our estimate of 10 posts is well reflected.

The national recommendations for stipend levels in 2009 have been received, and are confirmed at 3.0%, the figure we used in the initial drafts, although adjustments to reflect regional variations

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(calculated from the latest available Croner Reward regional cost of living figures) result in the 3.0% being uplifted to 3.5%. The total cost of stipendiary ministry, in parishes and elsewhere in Diocesan posts, also reflects the higher pension contributions resulting from the most recent actuarial review and which resulted in the additional payment of £147,000 in 2007.

It is proposed that provision is made for a 3.0% increase in staff remuneration. The final awards will be considered and made by the Remuneration Committee.

In presenting their bids for consideration, the spending committees were asked to make no general provision for increased costs, by way of an allowance for inflation, thereby in real terms accepting a small reduction in amounts available for expenditure. They were also asked to set their existing and any new work against the vision that they had for their future work in the Diocese.

There are some areas of increased expenditure in these budget proposals, of which the following relate to the staff budget:

As noted last year, the review of salaries paid to all Diocesan Staff confirmed the higher salaries for the heads of DBE, ISR & MnM (Mission and Ministry Development Team, formerly Parish Development Team); when reviewing the salaries for the July 2008 award, the Remuneration Committee decided that the salary of the Diocesan Secretary should also be increased, to reflect the salaries paid to other Diocesan Secretaries; the recommendation has been accepted by Bishop's Council.

The Remuneration Committee also recommended (accepted by Bishop's Council) that the salaries of Lay sector staff should be increased above the standard "cost of living" allowance to maintain their position in relation to clergy in similar posts.

Although not resulting in an increased cost, the Ecumenical Officers, two half-time jobs based in either end of the Diocese, have both been vacated and consolidated into the new post of Global & Ecumenical Partnership Officer, who took office at the beginning of September 2008.

Similarly, the DAC Secretary having resigned in early 2008, the role has been taken over by the Diocesan Registrar's office, for a fee in line with the previous salary costs.

The staff pension scheme (the former defined benefit scheme, which now has only 2 serving members of staff in it, with a further 20+ former members of staff with preserved benefits) was the subject of an actuarial review in April 2008. In common with most "final salary" schemes, it was found to be in deficit, more so than the deficit from the review in 2005. The scheme trustees have asked the Board, as employer, to increase contributions to cover the additional deficit. This amounts to a further £26,400 pa for the period to 2015, when the older of the 2 serving staff is due to reach retirement age.

Our contributions to National Church are more than in 2008. The overall increase in the National Budgets is 6.5%; it would have been 9.1% but for a use of reserves (ie a deficit budget has been agreed). Because of an apportionment system, our overall increase is 6.2%, broken down as follows:

Vote 1	Training for Ministry	12.7%
Vote 2	National Church Responsibilities	0.6%
Vote 3	Grants	4.2%
Vote 4	Mission Agencies' Pensions	0.8%
Vote 5	CHARM subsidy costs	4.5%

The considerable expenditure in 2007 on supporting our ordination candidates has been reflected in a refund in 2009 from the pooling adjustment (where the total costs of support are shared by all diocese).

Once again we had expected to be asked for contributions to the Mutual Support Fund and towards Episcopal expenses, but these have not materialised for 2009.

When the present group of Area Deans was appointed, they were given an additional sum of money to spend each year on development work in their Deaneries, which was met by agreement from the New Church Reserve Fund. The initial term of office expires in mid-2009 and it is proposed that the additional sum is continued to be provided to Area Deans, but to be met from the General Fund Budget.

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The Housing & Glebe Committee asked for additional funds totalling £140,000. In agreeing the 2008 Budget, it was decided that £130,000 of the additional expenditure requested reflected the need to improve houses to the general standard of similar accommodation in the general market-place, and that therefore that amount could be charged to the Stipends Capital Fund, which can be used for improvements to houses but not for their ongoing maintenance.

A similar approach has been taken when reviewing the proposals for 2009, with £200,000 being set to the Stipends Fund. The increase to be borne by the Budget is therefore £70,000. Of this amount £10,000 relates to parochial housing (plus £60,000 additional charge to Stipends Fund), £18,000 to non-parochial housing (plus £10,000 to Stipends Fund), and the remaining £42,000 to other property costs. Significant among these are the expected increases in the costs of insuring houses, where we have been warned by EIG of above-inflation increases.

MnM have asked for two new items to be funded through the Budget, the production of a CDROM package for "Anything to declare", at a cost of £2,000, and £3,000 for consultants.

The costs of running Church House and all its infrastructures, especially IT, are the subject of constant scrutiny, but equally somewhat unavoidable cost. Additional depreciation of £5,000 has been provided to cover the cost of upgrading the accounting software, the original version having been purchased in 1996.

Reconciliation of total expenditure in 2008 and 2009 budgets		£'000s
2008 budget expenditure		7,563
Paid ministry		
Increased cost of stipends, etc		78
Adviser on Pastoral Care, (charge previously borne by Clergy Society)		32
Reduction in Lay parochial staff		(42)
Reduction in removal (etc) grants		(3)
Area Deans – provision for additional expenditure		39
Additional expenditure		
Increased cost of National Church responsibilities	26	
Housing & Glebe – work to maintain properties	98	
Less work classified as improvements (to capital fund)	(70)	
Housing & Glebe – other costs	42	
Education – courses, equipment etc	5	
Education – Sector Staff & restructuring increases	16	
ISR – premises running costs	2	
ISR – Sector Staff increases	7	
MnM – general increases	11	
MnM – (new) CDROM/DVD (Anything to declare)	2	
MnM – (new) Consultants	3	
MnM – Sector Staff, Maternity cover & additional hours	11	
DAC – marginal cost of outsourcing role of DAC Secretary	4	
Administration – Sector & other staff increases	20	
Administration – increased costs Church House & general admin	17	
Staff costs – provision for cost of living increase	32	
Staff costs – other adjustments	17	
Staff costs – additional pension contributions	26	269

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		£'000s
Reduced Expenditure		
Pooling adjustment for Ordination Candidates	(47)	
Education – charging for courses	(12)	
Higher Education – general savings	(1)	
MnM – clergy & lay training	(13)	
Small Groups – general savings	(1)	(74)
2009 draft budget expenditure		<u>7,862</u>

Income in 2009

This Diocese has not recently received a general allocation from the Church Commissioners, as these grants are rightly targeted at needier diocese. However, we have now been informed that Bristol Diocese has just moved to “needier”, and we will receive a grant of £67,488 in 2009. We had received income from the Commissioners in relation to historic grants in respect of specific parishes, whereby the clergy of those parishes received an annuity, which was then made up to a normal stipend by the Diocese, and amounting to £14,000.

Late in the process of preparing the Budget for 2008, the Commissioners advised of a one-off payment towards the additional costs associated with the clergy pension scheme, which would be given on a reducing basis over 3 years, starting in 2008. £126,000 is being received in 2008 and we calculate that £90,000 and £60,000 will be received in 2009 & 2010.

There is no certainty on investment returns, particularly interest rates, and this means that we cannot assume that the amount of income we expect to receive will rise; however, we have reviewed our actual receipts for 2007 and made a number of adjustments. Similarly, we cannot rely on the many local trusts that support the work of the Diocese being able to increase their grants year on year; some grants are based on amounts fixed over 2-3 years. In all, we feel that it is prudent to be cautious in the amount we expect to receive from these sources in 2009, but we have based the budget on the most recent actual receipts.

One decision has been made for the benefit of the General Fund. In past years we have been inconsistent in our treatment of Designated Funds; some have been allocated the interest on their unspent balances, others have not. We have decided that Designated Funds will no longer be credited with this income, which will remain with the General Fund. This will benefit the General Fund by £120,000.

For a number of years local fee income has risen year-on-year, in part due to rising rates for occasional services and in part due to parishes becoming more up to date in their submissions. Parishes are generally up to date now, so we have therefore held the budget at the 2008 figure.

Over a number of years, the amount of income from renting out vacant parsonages has exceeded budget. Although those being rented out has now dropped from a peak in 2006, we are nonetheless continuing to budget for a slight increase on 2008's budget figure.

The proposed share increase of 2.5% will produce an additional income of £147,000.

The Directors are extremely grateful to all those parishes that continue to work so hard to meet their share assessments. After a number of years when the overall collection rate rose (to a high in 2006 of 93.9%), it fell back in 2007 to 91.5%, although again a significant majority of parishes made full payments.

We have based the budget on 100% collection; every 1% of shortfall means £60,000 lost income to the Diocese.

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Reconciliation of total income in 2008 and 2009 budgets		£'000s
2008 budget income		7,562
Increased share income		147
Church Commissioners – allocation grant	67	
Housing & Glebe – increased rental income	3	
Education – increased Educational Foundations grant	1	
Education – increased Local Authority grants	5	
Increased investment income	22	
Revision on policy of investment income to Designated Funds	130	228
Church Commissioners – pension support grant	(36)	
Housing & Glebe – decreased grants	(2)	
Housing & Glebe – decreased glebe rental income	(15)	
Education – decreased grants	(5)	
Grants for ministry – investment income	(17)	
Other grants	(9)	(84)
2009 draft budget income		<u>7,853</u>

Summary

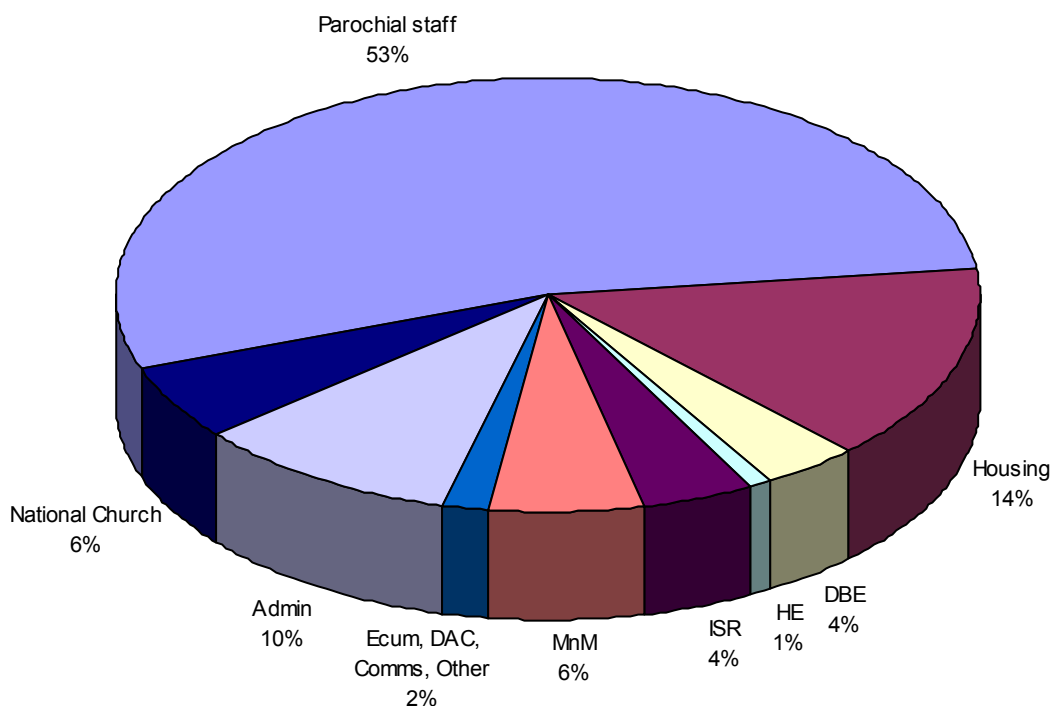
The budget proposals above produce a draft budget that is well within the range of being considered “break-even” at deficit £9,563.

Please consider these proposals which will be discussed and voted for approval at the November meeting of Diocesan Synod. If you have any queries, can you please direct them in the first instance to the Finance Manager, David Hargrave, at Church House. You can contact him by letter, by e-mail at david.hargrave@bristoldiocese.org, or by phone (0117 906 0100).

Finally I should like to thank the Finance Team and the Budget Committee, chaired in my absence during part of the year by Patrick O’Conor, a member of our Finance Committee, for the work involved and wise counsel in preparing both the enclosed figures and the essence of this report.

David Froude
Chairman - 14 October 2008

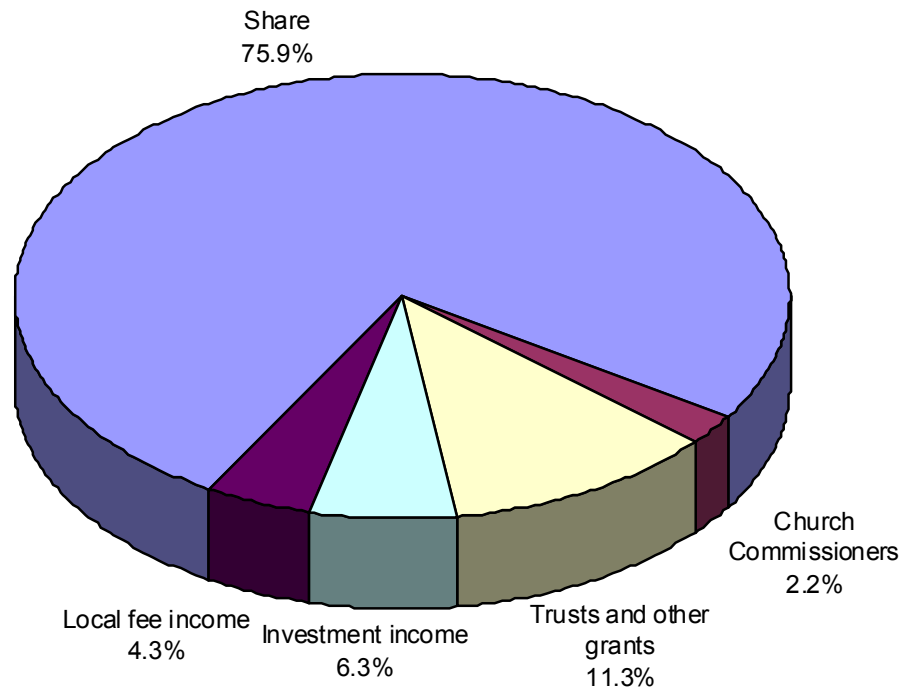
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DIOCESAN EXPENDITURE 2009

	Page	£'000	% change on 2008 budget
Parochial staff	9	4,210.9	1.3
Housing and Buildings	10	1,161.1	7.4
Board of Education (inc Further Education)	12	284.8	4.0
Higher Education	12	76.4	2.4
Industry and Social Responsibility	13	314.9	6.5
Mission and Ministry Development Team	13	456.2	17.2
Ecumenical/Global Partnership Links	14	51.0	2.0
Local ordination candidates support	8	7.5	(86.2)
Other groups and committees	14	6.3	(10.0)
Diocesan Advisory Committee	14	28.2	17.3
Diocesan Administration	15	789.3	11.8
Communications	15	32.7	1.4
Donations and grants	15	4.2	0.3
National Church responsibilities	8	439.2	6.2
Mutual Support Fund	8	0.0	
Episcopal Expenses	8	0.0	
Total Expenditure	8	7,862.8	4.0

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DIOCESAN INCOME 2009

	Page	£'000	% change on 2008 budget
Share net of discount	8	5,959.0	2.5
Church Commissioners grants	16	171.5	22.3
Trusts and other grants	16	885.9	(4.3)
Investment income	17	496.8	44.3
Benefice fee income	17	340.0	0.0
Total Income	8	<u>7,853.2</u>	3.8