



The Diocese of Bristol | 2010 Budget

Foreword by the Diocesan Finance Manager

The budget setting timetable has followed a similar pattern to previous years, which means that the spending committees can present a submission, based on their actual spend for a year just finished. The process began in early 2009 with the committees being asked to put forward their bids to the Diocesan Secretary. Bids were scrutinised by a Budget Committee, with a wider membership this year, including an Area Dean and a Lay Chair, in addition to members of Bishop's Council. Interviews were 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 are being presented to representatives of Deaneries and parishes at a series of meetings held across the Diocese to allow consultation and questions and explanations.

The present consolidated budget total is a deficit of £24,412. Bishop's Council has considered this deficit and the figures underlying it, and presents it for consultation.

Releasing the energy

In May, Diocesan Synod approved the Strategy for 2010-2015, full details of which have been widely circulated and which can be found on the Diocesan web-site. This draft Budget for 2010 reflects the new work that will arise from the adoption of the Strategy and which will help to give a renewed focus to the Diocese in creating *Communities of Wholeness with Christ at the Centre*; it also reflects all the other work that will continue, much of it in support of the Strategy, and the many other tasks that are carried out in the Diocese.

Background

The agreed budgets for recent years have been at or near breakeven, given a variance of just 1% in Income and Expenditure translating into £150,000 either way.

Actual results have been mixed, a surplus of £346,000 in 2005, followed by deficits of £9,000, £548,000 and £106,000 in (respectively) 2006 to 2008. 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 deficit in 2008 arose from a shortfall in Share of £425,000, with a collection rate of only 92.3%, although this was a slight improvement from the even lower rate of 91.5% in 2007. There were also overspends, of £107,000 on maintaining the housing stock and of £51,000 on supporting married candidates proceeding towards ordination, although this latter is again reflected in a refund from national church through the pooling scheme.

The positives against budget included:

- £274,000 savings in expenditure on clergy and parochial staff, resulting from vacancies;
- £27,000 net savings made across all other expenditure heads;
- £70,000 additional income raised through letting vacant parochial housing;
- £33,000 additional income, grants from National Church;
- £73,000 more non share income than budgeted, comprising some additional grants and more income from investments and glebe.

2010 Share

These proposals for 2010 include a Nil increase in the overall total of Share; this also means that each parish will be asked for the same in 2010 as it was asked in 2009.

The shortfall in Share collected in recent years, most recently a little over £900,000 in 2007 & 2008 combined, resulted in an examination of the present method of Share collection.

After receiving the report from a working group set up to look at alternative methods, the Bishop's Council and later Diocesan Synod accepted a recommendation that the present method should be changed and introduced as part of the Diocesan Strategy for 2010-2015, *Releasing the Energy*. The

full text of the proposals is included as an appendix to this paper, but the move will be to ask parishes for a commitment to a generous gift of Share, rather than a centrally imposed request. Deaneries will be involved in both the commitment and the subsequent monitoring of receipts.

Expenditure in 2010

Staff costs

In 2003 the Diocese agreed the Strategy for the years 2005-2010, which included a plan to reduce the total number of parochial posts by 21 before the end of the strategy period. The budgets for 2005 through to 2009 incorporated a reduction of approximately 10 clerical posts and there is a reduction of a further 5 posts in these proposals. Since 2005 there has also been a reduction of 5 in the number of Lay parochial staff.

When building the Budget for parochial clerical staff, we have assumed in recent years that there would be the equivalent of 10 vacant posts in the year, but looking at the figures for actual vacancies has allowed us to increase the allowance in the Budget for 2010 to 12 posts.

Further, due to a number of factors, including the present training curates moving to their first full post earlier than usual, we have reduced by 1 (to 15) the forecast of the number of curates in training for 2010.

The national recommendations for stipend levels in 2010 have been received, and are confirmed at 1.7%, including the adjustment to reflect regional variations (calculated from the latest available Croner Reward regional cost of living figures). The 1.7% is a slightly lower figure than the one we used in the initial drafts.

Once again, the deficit in the clergy pension scheme has resulted in an interim increase in the percentage contribution, from 40% to 45%. This alone has increased by £114,000 the total cost of stipendiary ministry, in parishes and elsewhere in Diocesan posts.

It is proposed that provision is made for a 2.0% increase in staff remuneration. The final awards will be considered and made by the Remuneration Committee, but the Committee has already indicated that they would expect to make an award of 1.5% for a "cost of living" increase, with the remaining 0.5% being used to give awards for increased responsibility or duties.

In addition to the general "cost of living" allowance, there have been some adjustments in 2009, which will affect the budget for 2010:

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

There have been reductions of staff in both ISR and what was MnM, although the latter is not apparent in the figures in the budget, due to staff being moved within the overall budget. A part-time vacancy in Central Support has not been filled.

2 members of staff have asked that the "cost of living" allowance should not be given to them in 2009.

The New Media Officer, previously funded from outside the General Fund budget, is to be charged to the GF budget from 1 January 2010.

Other costs

Our contributions to National Church are more than in 2009. The overall increase in the National Budgets is 0.4%, broken down as follows:

Vote 1	Training for Ministry	(1.9%)
Vote 2	National Church Responsibilities	1.5%
Vote 3	Grants	(8.0%)
Vote 4	Mission Agencies' Pensions	3.8%
Vote 5	CHARM (subsidy costs)	10.4%

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The final figures are slightly different, due to the apportionment system between dioceses, and actually amount to a lesser overall figure.

As noted earlier, the considerable expenditure in 2008 on supporting our ordination candidates is reflected in a further refund in 2010 from the pooling adjustment (where the total costs of support are shared by all dioceses), albeit at a lower level than in 2009.

We have expected for a number of years to be asked for contributions to the Mutual Support Fund and towards Episcopal expenses, but these have not yet materialised. (The lines are left in the figures, 27/28, to remind that these will probably occur in later years.)

The expenses of Area Deans have always been met from the General Fund, but in 2006 – when the present group of Deans was appointed – a sum of £10,000 per Deanery per annum was provided for development. The budget for 2009 included a half-year of that sum (appointments dating from mid-year) and the 2010 budget has been increased to a full year's provision.

In presenting their bids for consideration, the spending committees were again asked to make no general provision for increased costs, by way of an allowance for inflation. 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.

The Housing & Glebe Committee has asked for additional funds totalling £72,000. In agreeing the 2008 and 2009 Budgets, it was decided that some of the expenditure requested reflected the need to improve houses to the general standard of similar accommodation in the 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. The amounts were £130,000 and £200,000 in the 2 years, with an actual spend of £176,000. A similar approach has been taken when reviewing the proposals for 2010, with £200,000 being set to the Stipends Fund.

Of the £72,000 increase requested by the H&G Committee, £62,000 relates to parochial housing, £11,000 to non-parochial housing, and there is a saving of £1,000 on other property costs, including insurance, council tax, water rates and interest charges.

The department that was MnM has been split to reflect the new tasks resulting from the Strategy. It would have been near impossible to try and re-jig the MnM budget between these new tasks, so two new sections are shown in the budget, Strategy Delivery and Mission & Discipleship. The overall costs, excluding staff, have increased by £19,000, but these include some costs for new tasks.

The costs of running Church House and all its infrastructures, especially IT, are the subject of constant scrutiny, but equally somewhat unavoidable cost. In 1999 Church House was refurbished; the cost of that refurbishment has been depreciated over 10 years, ending in 2009, so there is a saving in 2010.

Church House staff carry out administrative and accounting functions for related organisations, including the Cathedral, and those organisations make a contribution equivalent to the cost.

Reconciliation of total expenditure in 2009 and 2010 budgets		£'000s
2009 budget expenditure		7,863
Paid ministry		
Increased cost of stipends, etc, from increase in stipends	46	
Increased cost of stipends, etc, from increase in pension %	114	
Reduction in clerical parochial staff	(116)	
Reduction in lay parochial staff	(43)	
Reduction in overall curate numbers	(32)	
Increase in provision for vacancies	(67)	
Reduction in removal (etc) grants	(2)	(100)

Additional expenditure		
Area Deans' expenses – full year v half year in 2009	31	
Increased cost of National Church and ordination responsibilities	59	
Housing & Glebe – work to maintain properties	72	
MnM – now Strategy Delivery / Mission & Discipleship		
Expenses for additional staff	4	
Other increases	15	
Non-Parochial clerical staff – overall increased costs	15	
Lay staff costs – provision for cost of living increase	10	
Lay staff costs – New Media Officer now charged to main budget	38	244
Reduced Expenditure		
Housing & Glebe – other costs	(1)	
Education – additional income and savings	(4)	
MnM (Strat Del / M&D) – reduction in staffing	(16)	
Ecumenical / global – general savings	(1)	
ISR – reduction in staffing (ordained and lay)	(39)	
Central support – reduction in staffing	(6)	
Central Support – decreased costs Church House & general admin	(10)	
Central Support – CP risk clearance	(20)	
Central Support – decreased costs refurbishment depreciation	(17)	
Central Support – decreased costs contributions from others	(15)	
Lay staff costs – other adjustments	(12)	
Lay staff costs – cost of living award declined	(2)	
Grants – St Luke's hospital closed	(3)	(146)
2010 draft budget expenditure		<u>7,861</u>

Income in 2010

One of the key objectives of the Strategy is to identify new sources of income, to increase the proportion of total income that comes from sources other than parishes. It is not envisaged that significant amounts will be identified or raised during 2010, and there is no provision for them in this budget.

In all bar the most recent of years, the Diocese has not received a general allocation from the Church Commissioners, as these grants are rightly targeted at the needier dioceses. However, in 2008 we received a grant of £46,000 and we have been advised of grants of £81,000 and £97,000 in 2009 and 2010. Additionally, 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 was received in 2008, £90,000 will be received in 2009 and £67,000 in 2010.

There has never been certainty on investment returns, 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 2008 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 2010, but we have based the budget on the most recent actual receipts.

We hold some money as short-term cash investment, and the present very low bank rate means that we can expect to receive little by way of income from this. We have recently reviewed our investments and have moved some – not needed for the short-term – to longer-term investment in equities, where, although the capital is at risk of a reduction in value, the income is expected to be considerably better than bank interest rates.

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 set the budget at the 2008 actual figure.

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Over a number of years, the amount of income from renting out vacant parsonages has exceeded budget. Our policy has been to sell houses when they are not needed, but this has been suspended as a general policy, while the housing market settles. The empty houses have been rented, which has also provided a higher income than could be expected from investing the sale proceeds.

As noted earlier, the proposal is to leave the total Share request at the 2009 level, both in total and for each parish. The Directors remain extremely grateful to all those parishes that continue to work so hard to meet their share assessments, and will encourage all parishes to embrace the proposals for change. But it is important to remember that we always base the budget on 100% collection; every 1% of shortfall means £60,000 lost income to the Diocese.

Reconciliation of total income in 2009 and 2010 budgets		£'000s
2009 budget income		7,853
Increased Share income		Nil
Church Commissioners – increased general grant	32	
Housing & Glebe – increased rental income	75	
Housing & Glebe – increased glebe rental income	5	
Education – increased Educational Foundations grant	9	
Education – increased Local Authority grants	8	
ISR – increased grants / investment income	12	
EIG – increased "profits" grant	15	
Grants for ministry – increased grants	5	
Fees – increased income	13	
Other grants	6	
Investment income – invested funds	28	208
Church Commissioners – decreased additional grant	(23)	
Housing & Glebe – decreased grants	(4)	
ISR – reduction in staff recharges	(29)	
Other Grants – reduction in grants for staff posts	(19)	
Grants for ministry – investment income	(4)	
Investment income – cash funds	(145)	(224)
2010 draft budget income		<u>7,837</u>

Summary

The budget proposals above produce a draft budget that is well within the range of being considered "break-even" at deficit £24,412.

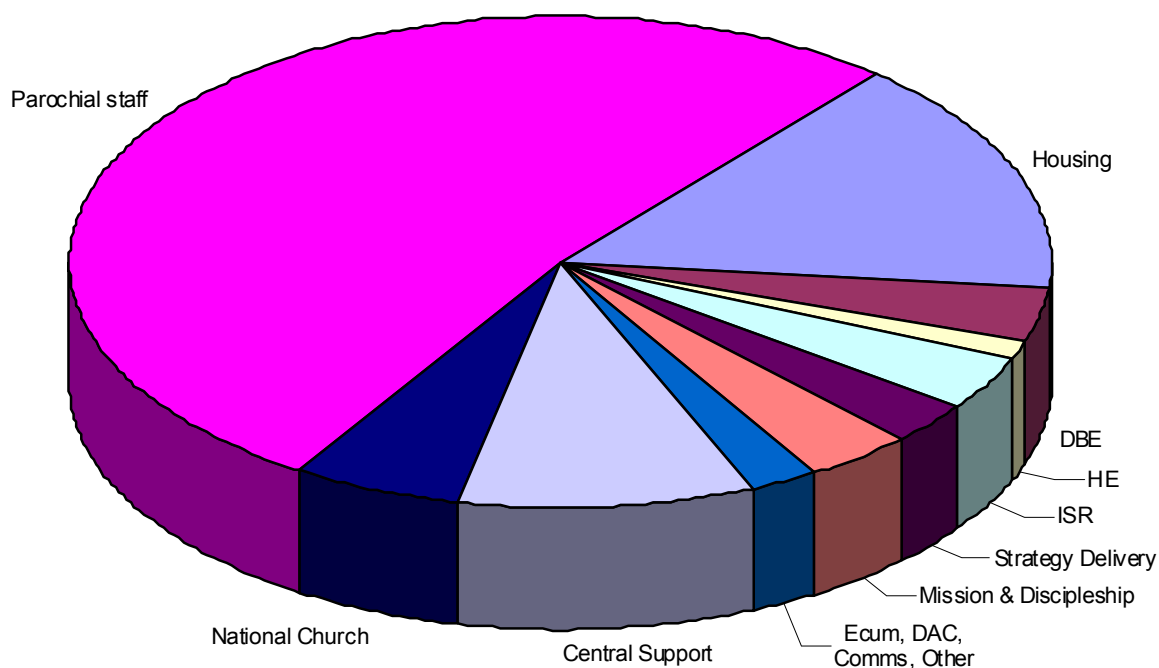
Please consider these proposals; the 3 consultation meetings will be reported to the Finance Committee and Bishop's Council, before a final version is presented for approval at the November meeting of Diocesan Synod.

Draft Share figures will be sent out in September to help your parish budgeting, but can only be confirmed after the November Synod has approved the final budget. Alongside these draft figures will be a full "cost of ministry" figure to help parishes in their first consideration of the new Share system.

If you have any queries, can you please direct them in the first instance to me at Church House. You can contact me:

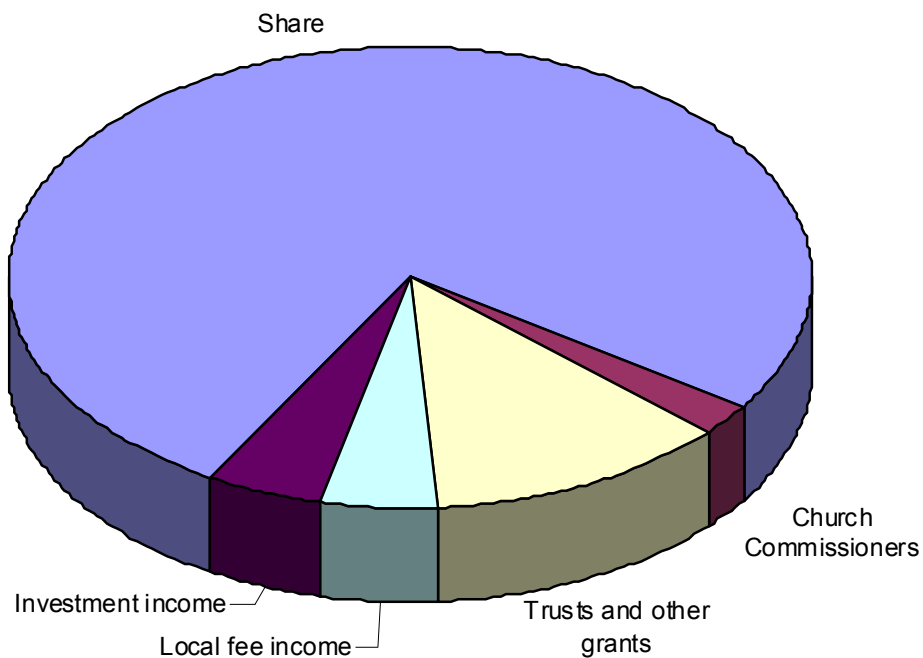
by letter, by e-mail at david.hargrave@bristoldiocese.org, or by phone (0117 906 0100)

David Hargrave - Finance Manager - 18 June 2009



DIOCESAN EXPENDITURE 2010

	Page	£'000	% of Total	% change on 2009 Budget
Parochial staff	9	4,096.8	52.1	(2.9)
Diocesan Cathedral Staff	9	16.2	0.2	7.1
Housing and Buildings	10	1,233.3	15.7	6.2
Board of Education (inc FE)	12	283.1	3.6	(0.6)
Higher Education	12	79.7	1.0	4.4
Industry and Social Responsibility	13	275.9	3.5	(12.4)
Strategy Delivery	14	226.5	2.9	n/a
Mission & Discipleship	14	215.8	2.7	n/a
Ecumenical/Global Partnership Links	16	52.0	0.7	1.8
Other groups and committees	16	6.5	0.1	4.2
Diocesan Advisory Committee	16	27.8	0.4	(1.6)
Central Support	17	755.3	9.6	(7.8)
Child Protection / Vulnerable Adults	17	33.6	0.4	47.7
Communications	17	51.6	0.7	57.9
Donations and grants	18	1.5	0.0	(64.3)
National Church responsibilities	8	438.5	5.6	(0.2)
Mutual Support Fund	8	0.0		
Episcopal Expenses	8	0.0		
Local ordination candidates support	8	66.8	0.8	788.1
Total Expenditure	8	7,861.0	100.0	(0.0)



DIOCESAN INCOME 2010

	Page	£'000	% of Total	% change on 2009 Budget
Share net of discount	8	5,959.0	76.1	0.0
Church Commissioners grants	18	180.4	2.3	5.2
Trusts and other grants	18	965.3	12.3	9.0
Benefice fee income	20	353.2	4.5	3.9
Investment income	20	378.7	4.8	(23.8)
Total Income	8	<u>7,836.6</u>	100.0	(0.2)