

FOREWORD

The accompanying budget for 2020 reflects some very good news about what the Diocese of Bristol has been able to build in the last few years in line with our 2016-20 strategic plan. It also clarifies the challenge as we look to the next strategic planning period.

I am enormously grateful to all our colleagues in the Diocesan Board of Finance who work so hard to enable and further the ministry of the Diocese. And, whilst the focus here is on budgeting and finance, I am particularly grateful to Matthew Hall and his team (as well as others, both paid and volunteer) for their work and for the clarity and comprehensiveness of the document that follows. Perhaps I can draw attention to some key features.

The final pages summarise our anticipated position in 2020 compared with the previous two years. You will see that expenditure on parish ministry will have increased by 17% since 2018 or by £700,000. Future ministry expenditure will have risen by 41% or £450,000. Most other cost centres have been held down or will have gone up by close to inflation or with corresponding grant income. So, there has been very significant extra investment in “front-line” ministry, including building for the future.

By far the largest three sources of income are from investments, grants and the parishes. Investment income has been maintained at around £1m and rates of return have been good. We have been very successful in securing additional funds through national Church of England and other grants, such that grants are expected to reach £2m in 2020, half as much again as in 2018.

The report below sets the Parish Share in its context. We had reckoned that the level of Share would be higher by now than it is. It is, of course, the principal means by which the ministry of the diocese is funded. It stands now (in 2019) at just below £5.5m. If we are to sustain the current levels of investment and expenditure in the next quinquennium and beyond, we need to see the Share move above £6m. This is our biggest financial challenge.

We need to press ahead with our spending commitments in 2020, even though they will, on current reckoning, lead to a deficit of more than £600,000, as anticipated in this budget. We have planned for this shortfall to be covered by our reserves in the short-term.

There is a medium to longer term discussion that needs to be had, however, both about income generation and what the level of stipendiary ministry should be. Please pray for the Board of Directors and Bishop’s Council as we, together with Synod, seek to discern how God’s Spirit is leading us.

**Andrew Lucas, Chair of the Bristol Diocesan Board of Finance
November 2019**

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1. INTRODUCTION

- 1.1. This paper sets out details of the 2020 Budget for the Bristol Diocesan Board of Finance Ltd.
- 1.2. The 2020 Budget shows expenditure outstripping income by **£908k** overall. However, with **£250k** of this expenditure constituting improvement works to property and being funded by the Diocesan Stipends Fund (DSF) Capital Fund, this effectively means that the DBF's main funds budget is in deficit by **£658k**.
- 1.3. The 2020 Budget is summarised below:

	BUDGET 2020
	£000
INCOME	
Parish Share	5,600
Grant income	2,015
Investment income	1,050
Other income	641
Total income	9,306
EXPENDITURE	
Parish ministry	4,916
Future ministry	1,579
Property costs	1,576
Diocesan Support Services	1,865
National Church	278
Total expenditure	10,214
Surplus / (deficit) before transfers	-908
<i>Add back: Funding from the DSF Capital fund</i>	<i>250</i>
<i>Net income from other funds</i>	<i>0</i>
Surplus / (deficit)	-658

- 1.4. In addition to commentary on the various items of budgeted income and expenditure, this paper also reflects on the goals of the 2016-20 Financial Plan, the expectation for 2019 and how the deficit will be funded.
- 1.5. **Diocesan Synod is asked to authorise the Bristol Diocesan Board of Finance Limited to expend in the year 2020 sums totalling £10,214,000 in respect of the items in the main Budget for that year.**

2. OVERVIEW

- 2.1. In the 2016-2020 Financial Plan, it was anticipated that by 2020 Parish Share receipts would have reached **£6.2 million**. However, the 2020 Budget has revised this expectation down to **£5.6 million**. This is based on achieving a 3% increase on the level of Parish Share committed in 2019.
- 2.2. This gap in the level of Parish Share expected amounts to **£600k** and therefore constitutes one of the main reasons for the budget deficit.
- 2.3. That level of Parish Share was required to support the Diocese's plan to increase investment in future ministry and the deficit could equally be said to derive largely from those extra costs of around **£450k**, compared to 2018.
- 2.4. Included in the 2020 Budget is **£21k** of new Strategic Ministry Funding, notified in October 2019, towards the additional cost of curates. Although welcome, this is lower than originally forecast and hoped for, and therefore further increases the deficit.

3. THE FINANCIAL PLAN VS. THE 2020 BUDGET

- 3.1. 2020 marks the final year of the current Strategic Plan and the associated Financial Plan covering 2016 to 2020. The Financial Plan set a number of stretching goals for 2020 and these can now be reviewed in the light of the 2020 Budget.
- 3.2. The table below shows the differences between the Financial Plan presented to Diocesan Synod and the 2020 Budget:

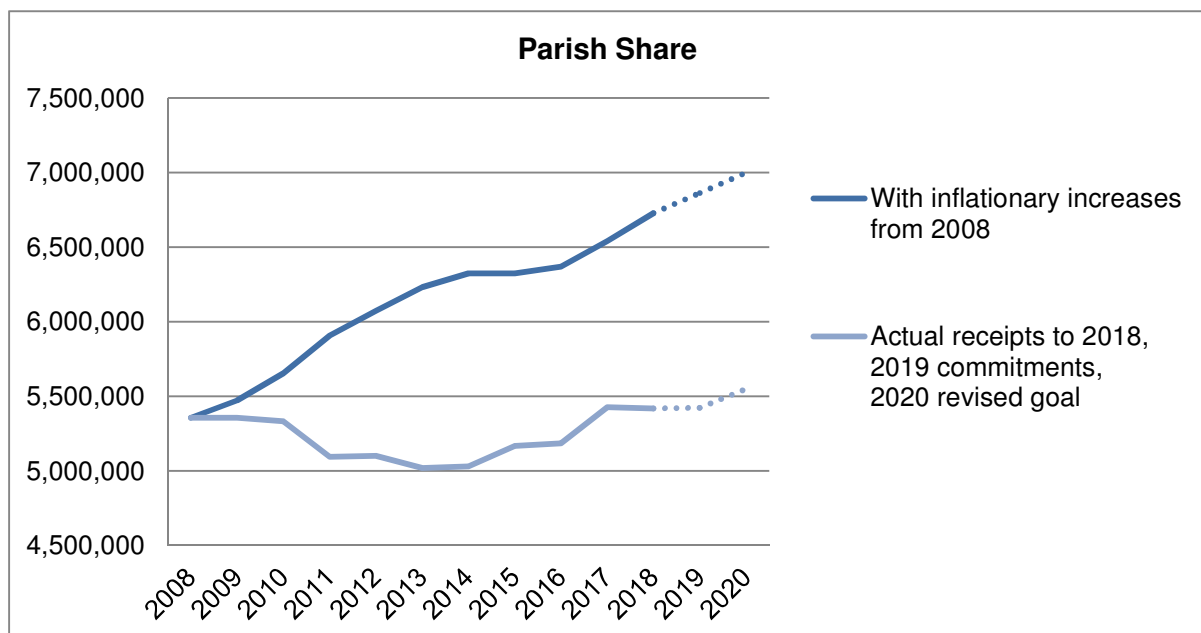
	FINANCIAL PLAN	BUDGET	DIFFERENCE
	2020	2020	2020
INCOME	£m	£m	£m
Parish Share	6.20	5.60	-0.60
Grant income	1.70	2.02	+0.32
Investment income	1.20	1.05	-0.15
Other income	0.70	0.64	-0.06
Total income	9.80	9.31	-0.50
EXPENDITURE			
Parish ministry	4.70	4.92	-0.22
Future ministry	1.50	1.58	-0.08
Property costs	1.70	1.58	+0.12
DSS	1.80	1.86	-0.06
National Church	0.30	0.28	+0.02
Total expenditure	10.0	10.22	-0.22
<i>Add back: Funding from the DSF Capital fund</i>	<i>0.20</i>	<i>0.25</i>	<i>+0.05</i>
<i>Net income from other funds</i>	<i>0.00</i>	<i>0.0</i>	<i>0.0</i>
Surplus / (deficit)	0.00	-0.66	-0.66

- 3.3. Clearly the biggest variance is Parish Share, but delays in realising surplus assets have also had an impact on investment income.
- 3.4. The timing of income and expenditure relating to the Mission Areas and Resourcing Churches does skew the grants income and related expenditure from the expectations of the Financial Plan. Even so, the success in applying for both Strategic Development Funding and Strategic Capacity Funding is notable.
- 3.5. Given the inherent difficulty in projecting the future, most other areas of the 2020 Budget are within reasonable (or justifiable) proximity to the amounts projected in the Financial Plan.

4. COMMENTARY – INCOME

4.1. Parish Share

- 4.1.1. Parish Share for 2020 has been requested using the approach that is now in its fourth year. This approach continues to garner general support from parishes and the approach continues to provide parishes with a strong steer on the amount to give, based on the principles of being *generous, taking responsibility and having faith*.
- 4.1.2. The 2016-20 Financial Plan was predicated on receiving Parish Share of **£6.2 million** by 2020, and spending plans were set accordingly. While the majority of parishes have yet to confirm their commitments for 2020 (the deadline being the 31st October 2019), this goal is unlikely to be reached.
- 4.1.3. The figure in the 2020 Budget therefore reflects a downgraded projection of **£5.6 million** and this is based on the level of Parish Share commitments in 2019, **£5.435 million**, increased by 3%.
- 4.1.4. To put the goal for 2020 of **£6.2 million** in context, if total Parish Share receipts had increased in line with the Consumer Price Index (CPI) from 2008, the receipts for 2020 would be around **£7.0 million**.



4.2. Investment Income

- 4.2.1. Investment income derives largely from the DBF's listed investments (managed by CCLA Investment Management Ltd) and income from its glebe holdings. CCLA have indicated that distributions, particularly from the CBF Investment Fund, will continue to increase year-on-year by around 2%.
- 4.2.2. Additional income should be achieved from surplus net funds from property transactions being invested, but due to the complexity of a number of these properties, the timing of that extra income remains uncertain.
- 4.2.3. This current iteration of the budget includes the purchase of **£2 million** of additional investments before the end of 2019 and the purchase of a further **£500k** in the middle of 2020. The additional investment income from these extra units is based on a 4.5% income return. Income from glebe is expected to reduce from **£63k** in 2019 to **£53k** in 2020.

4.3. Grant Income

- 4.3.1. The increase in grants of **£556k** is largely in relation to **£949k** of Strategic Development Funding (SDF) and Strategic Capacity Funding (SCF) that will be drawn down in support of the Mission Areas and Resourcing Church initiatives in 2020. **£421k** was budgeted in 2019.
- 4.3.2. There is some movement in the other grants being received from the National Church for the New Housing Areas work and ongoing mission projects, but that is matched by the corresponding movement in related expenditure.
- 4.3.3. National Church funding for Lowest Income Communities (LinC) will increase by **£41k** (from **£378k** in 2019 to **£419k** in 2020).
- 4.3.4. Grants from All Churches Trust will also increase by **£11.5k** (from **£94.5k** in 2019 to **£106k** in 2020).

4.4. Property income

- 4.4.1. Income from renting out functional properties, that are not required to house clergy, is expected to decrease slightly from the budget figure for 2019 of **£250k** to **£248k** in 2020.
- 4.4.2. This is based on an exercise to project those properties that will be available for rental in 2020, taking into account expected clergy movements and existing tenancies.

4.5. Contribution towards DSS (Diocesan Support Services)

- 4.5.1. Funds received towards the work of Diocesan Support Services are expected to increase by **£9k**, from **£76k** in the 2019 Budget to **£85k** in 2020.
- 4.5.2. This is primarily due to the secondment a DSS staff member to another diocese until June 2020.
- 4.5.3. The number of DBAT staff working in the Diocesan Office and the corresponding contribution to desk space at Hillside House is expected to remain the same.
- 4.5.4. The contribution from the St Matthias Foundation for clerking services is expected to go up in line with cost of living increases

4.6. Local fee income

- 4.6.1. Local fee income is the term used to describe the DBF's share of fees received for wedding and funeral services. Feedback from parishes and information submitted on Statistics for Mission Returns shows that the number of these services has been falling over recent years
- 4.6.2. While there are various local factors that impact the number of weddings and funerals being conducted, the budget figure for 2020 reflects the expectation of lower level of income from these fees, in line with the average decline of recent years.
- 4.6.3. This decline is mitigated in part by annual fee increases, in line with CPI (in August). In 2020, income from parochial fees is therefore budgeted to fall to **£308k**, compared to the budgeted figure of **£335k** in 2019. This is closer to the actual amount received in 2018 of **£296k**, with an adjustment for the recovery of late fees from certain parishes.

5. COMMENTARY – EXPENDITURE

5.1. Parish ministry

- 5.1.1. A post-by-post projection of all stipendiary appointments across the Diocese and an anticipated stipend increase of 2% from January 2020 have also adjusted the cost of stipendiary clergy to **£3,631k** in 2020.
- 5.1.2. This equates to **99.87 FTE posts**, less an anticipated vacancy rate of 9%. This vacancy rate is slightly lower than that budgeted for 2019 and the actual experience of 2018 (10.69%) due to a number of long-standing vacancies due to be filled in the coming months. Clergy vacancies are often difficult to predict, as are the length of vacancies that result. While vacancies in general are expected to last 9 months, there is also the expectation that a number of posts may be difficult to fill and those vacancies may last longer.
- 5.1.3. **Other ministry** costs are expected to increase by **£364k** in 2020 to **£805k**. **£436k** of this total is represented by consultancy, grants and CEMES workers in support of Mission Areas and the support staff and running costs of the two Resourcing Churches. Much of this in 2020 is covered by incoming SDF grants. There is a projected reduction in payments to self-supporting and retired clergy for weddings and funerals, in line with the general reduction in those services (see Local Fee Income, above) and a reduction in the level of work in New Housing Areas.
- 5.1.4. **Grants to ministers** are expected to reduce by around **£12k** to reflect the number of anticipated posts being filled in 2020 and deanery costs are expected to marginally decrease.

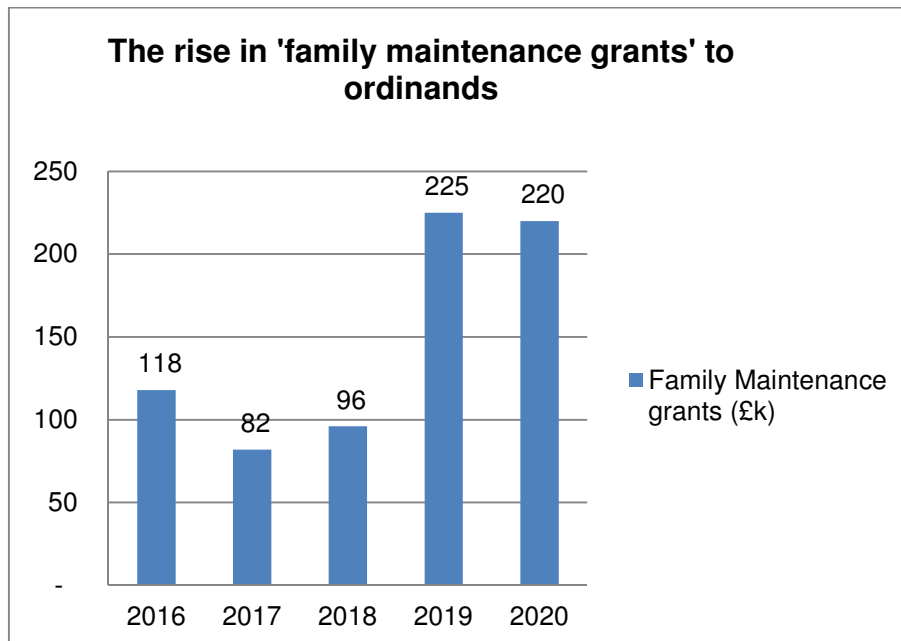
5.2. Future ministry

- 5.2.1. As in 2019, the increase in **training curacies** of **£232k** is one of the most significant year-on-year changes in the 2020 Budget. With 12 stipendiary curates having started in July 2019 (including one job share), there are projected to be **25.92 FTE** stipendiary curate posts in 2020, compared to **21.17 FTE** posts in the 2019 Budget. The posts in 2020 break down, as follows:

Training curacies	Posts	FTE
Year 1 – starting at Petertide 2020	6	3
Year 2	12	11.75
Year 3	7	6.75
Year 4	5	3.92
Year 5	3	0.5
TOTAL	33	25.92

- 5.2.2. The total cost of curates in 2020 is projected to be **£1,024k**, compared to **£792k** in 2019.
- 5.2.3. Having been lagging behind the projections of the Financial Plan, the 12 stipendiary curates that started in July 2019 mean that the goal to increase ordinands numbers by 50% by 2020 is now having a significant impact on the DBF's spending commitments.
- 5.2.4. Having increased in 2019, **contributions to the National Church Institutions** (NCIs) for training (so-called 'Vote 1') are expected to remain unchanged in 2020 at **£225k**. This has been determined as part of the National Church's annual apportionment exercise.
- 5.2.5. Having increased significantly in 2019, the overall cost of **grants to ordinands and curates** is expected to decrease by **£173k** in 2020. Much of that decrease relates to a **£103k** pooling adjustment for the 2018/19 cost of ordinands' maintenance grants. The anticipated level of family maintenance grants is expected to drop from **£225k** in 2019 to **£220k** in 2020, with a

£25k reduction in removal, resettlement and first appointment grants. The following graph shows the overall picture:



5.2.6. The increase in IME support and training costs is largely due to changes in the staffing levels within Ministry Development team, following vacancies.

5.3. Property costs

5.3.1. The budget for property costs in 2020 is based on the expectation of work required to maintain the properties managed by the DBF over the next year. Analysis has been carried out by the Property Team to identify the specific and routine works required in 2020.

5.3.2. Lower overall levels of expenditure of almost **£106k** are expected in 2020. This does include a projected increase in Council Tax of **£10k**, as more clergy housing is deployed and almost **£23k** on renting properties for parochial housing.

5.3.3. Within the housing costs are projected to be **£250k** of improvements to parochial property, which can be funded from the Diocesan Stipends Capital Fund (DSF), reducing the call on the DBF's general reserves.

5.3.4. The reduction in expenditure on non-parochial housing is particularly notable for 2020. Following an exceptionally high level budgeted for 2019, expenditure is projected to reduce to just over **£95k**, compared to the **£223k** budgeted in 2019.

5.4. Diocesan support services (staff)

5.4.1. The cost of Diocesan Support Services (DSS) staff is expected to increase by just over **£49k** in 2020, compared to 2019.

5.4.2. The first main factors accounting for the increase in **governance, finance and administration** are the projected **2%** cost of living increase for DSS staff, but this will be subject to the recommendation of the HR & Remuneration Committee in 2020.

5.4.3. The second is the new cost of housing for the Bishop's Chaplain. Church Commissioners covering the core costs for that role, but the DBF is responsible for housing.

5.4.4. The increase under the **Parish and External Relations** heading is largely due two time-limited pieces of work to deliver specific outcomes. The first is a secondment in 2020, to deliver the implementation plan for the Environmental and Climate Justice Policy. This will be funded by the increase in the grant received from All Churches Trust. The second is work on strategic communications, which is funded from a member of the DSS team being seconded.

5.5. Diocesan support service (non-staff)

5.5.1. There are a number of changes to the DSS non-staff expenditure expected in 2020, which result in a projected overall reduction in cost of **£14k**. Within that saving is an increase in **professional costs and services** of **£7k** due to an increase in Registrar's fees.

5.6. Other specific central costs

5.6.1. In addition to the operational cost of the Diocesan Support Services there are **three** specific costs that merit separate disclosure.

5.6.2. The first of these is a new cost of **£48k**, which represents the additional cost of servicing the **£2 million** Revolving Credit Facility (RCF). The DBF was forced to take out this facility in 2019 to cover short-term cash flow requirements.

5.6.3. There is an increase of **£29k** that represents necessary work to upgrade the DBF's IT infrastructure. These additional costs are mitigated by reductions in other areas.

5.6.4. Finally there is an increase of just over **£8k** to the cost of administering and funding the deficit on the historic staff pension scheme for lay staff. This scheme was closed over 20 years ago, but these costs remain and have risen in recent years.

5.7. National Church

5.7.1. The contributions made to the National Church Institutions (NCIs) for so-called 'Votes 2 to 5' under the apportionment regime are expected to remain unchanged in 2020 at **£278k**.

5.7.2. This covers National Church responsibilities (vote 2), grants & provisions (vote 3), mission agency pension contributions (vote 4) and CHARM retirement housing (vote 5).

5.7.3. These contribution levels are set by the NCIs, along with the contribution for Training for Ministry (Vote 1).

5.8. OTHER FUNDS

5.8.1. The 'other funds' shown in the budget include income and expenditure relating to various funds that are ancillary to the main operations of the DBF, including Educational Foundations, the Clergy Society and Pastoral Reserve.

5.8.2. While exceptional transaction may occur within these funds, for budget purposes they are expected to balance their expenditure requirements with their income.

6. FUNDING THE DEFICIT

6.1. At the end of 2018, the DBF had **£16.4 million** in unrestricted reserves. Excluding **£2.5 million** of pension liabilities, these are made up **£8.8 million** of undesignated funds and **£7.6 million** in designated funds.

6.2. **£7.4 million** of undesignated funds were held in property, with the assets of these undesignated funds having become increasingly illiquid in recent years. This is largely due to purchase of 'board corporate' properties for the increased number of clergy.

6.3. In terms of cash requirements, if the potential level of deficit spending of **c£650k** per annum becomes the norm, these undesignated reserves will be expended in just under **14 years**. Total unrestricted reserves would be exhausted in just over **25 years**.

6.4. There may be some scope to bolster funds that support operational expenditure, such as income coming from the Diocesan Stipends Fund, but this will be limited.

7. WHERE WE ARE IN 2019

- 7.1. While still some way off from the end of 2019, we can already make projections about where we might end up at the end of the year.
- 7.2. The 2019 Budget deficit of **£133k** was predicated on achieving Parish Share of **£5.95 million**. As things stand, Parish Share commitments are only **£5.435 million** meaning that the starting deficit increased by **£515k** to **£648k**. Some in year Parish Share reduction may add another **£18k** to this.
- 7.3. The table below shows the overall projection for 2019 against the 2019 Budget:

	BUDGET	PROJECTION	DIFFERENCE
	2019	2019	2019
INCOME	£000	£000	£000
Parish Share	5,950	5,417	-533
Grant income	1,459	1,670	+211
Investment income	1,100	968	-132
Other income	661	623	-38
Total income	9,170	8,678	-492
EXPENDITURE			
Parish ministry	4,394	4,445	-51
Future ministry	1,540	1,472	+68
Property costs	1,682	1,761	-79
DSS	1,745	1,874	-129
National Church	278	278	0
Total expenditure	9,639	9,830	-191
<i>Add back: Funding from the DSF / DBF Capital funds</i>	<i>320</i>	<i>320</i>	<i>0</i>
<i>Net income from other funds</i>	<i>16</i>	<i>131</i>	<i>+115</i>
Surplus / (deficit)	-133	-701	-568

- 7.4. Apart from Parish Share on the income side, the timing of property sales has limited our ability to meet our investment income target.
- 7.5. Some savings have been made within both parish ministry and future ministry, the latter being impacted by the early departure of training curates in particular.
- 7.6. DSS costs are notably higher than budget and this is due to extra borrowing costs due to the need to open a £2 million revolving credit facility (£68k), under-budgeted registrars fees (£14k), unbudgeted Chaplain housing costs (£13k), additional historic pension scheme costs (£10k) and around £24k of other costs that are matched by grant income.
- 7.7. Income from 'other funds' is expected to be much higher in 2019 largely due to the reimbursement of historic costs following the sale of the closed church of St Michael on the Mount without.
- 7.8. Given the effective starting point of a **£648k** deficit, the projected result for 2019 of a **£701k** deficit looks reasonable.
- 7.9. This projection does come however come with a warning, that is based on current information and various estimates may change before the end of the year.

BUDGET SUMMARY

	2018 ACTUAL	2019 BUDGET	2020 BUDGET	VARIANCE
Description	Full year	Full year	Full year	2019 vs 2020
	£000	£000	£000	£000
INCOME				
Parish Share	5,386	5,950	5,600	-350
Grants				
For ministerial training and deployment	1,028	1,179	1,751	572
For Education	213	156	132	-24
For general use or Support Services	113	124	132	8
	1,354	1,459	2,015	556
Investment income				
Dividends and interest received	910	1,037	997	-40
Glebe income	37	63	53	-10
	947	1,100	1,050	-50
Other income				
Parsonage rental	271	250	248	-2
Charges / fees for central services	105	76	85	9
Local fee income	296	335	308	-27
	672	661	641	-20
TOTAL INCOME	8,359	9,170	9,306	136
EXPENDITURE				
Parish ministry				
Stipends, salaries, NIC	3,292	3,489	3,631	-142
Other ministry	476	441	805	-364
Grants to ministers	46	56	44	12
Deanery costs	48	52	49	3
Ministry support and training (inc staff)	343	356	387	-31
	4,205	4,394	4,916	-522
Future ministry				
Training curate stipend cost	594	792	1,024	-232
National training costs (Vote 1)	219	225	225	0
Grants to ordinands & curates	161	339	166	173
IME support and training (inc staff)	149	184	164	20
	1,123	1,540	1,579	-39

Property costs				
Housing costs (inc staff)	1,645	1,459	1,481	-22
Non-parochial housing costs	86	223	95	128
	1,731	1,682	1,576	106
Diocesan support services (staff)				
Governance, Finance and Administration	381	425	445	-20
Diocesan Board of Education	251	206	203	3
Parish and External Relations	377	437	469	-32
Staff related costs	22	21	21	0
	1,031	1,089	1,138	-49
Diocesan support services (non-staff)				
Training and other services provided	49	63	60	3
Professional costs and services	100	87	94	-7
Information services, admin and expenses	145	169	163	6
Other DBE expenditure	45	37	22	15
Office rent, rates & service charge	176	174	178	-4
Other costs	8	2	1	1
	523	532	518	14
Other specific central costs				
Cost of borrowing	0	0	48	-48
IT systems and support	61	49	78	-29
Cost of historic pension scheme	79	75	83	-8
	140	124	209	-85
National Church	269	278	278	0
TOTAL EXPENDITURE	9,022	9,639	10,214	-575
NET INCOME BEFORE OTHER FUNDS	-663	-469	-908	-439
Other fund income	332	264	263	-1
Other fund expenditure	-525	-248	-263	-15
NET INCOME BEFORE TRANSFERS	-856	-453	-908	-455
Funding from DSF Capital Fund	277	200	250	50
Funding from DBF Capital Fund	0	120	0	-120
SURPLUS / (DEFICIT)	-579	-133	-658	-525

APPENDIX A: SUMMARY OF CHANGES FROM THE 2019 BUDGET

The following table shows the main areas of significant change in the budget for 2020, compared to the budget for the previous year:

	£000
Budget deficit 2019 (after transfers)	-133
<i>Funding from the DSF Capital fund in 2019</i>	<i>-320</i>
Budget deficit 2019 (before transfers)	-453
INCOME	
Parish Share	-350
Grant income	+556
Investment income	-50
Other income	-20
EXPENDITURE	
Parish ministry	-522
Future ministry	-39
Property costs	+106
DSS	-120
National Church	-
Other funds	-16
Budget deficit 2020 (before transfers)	-908
<i>Funding from the DSF Capital fund</i>	<i>+250</i>
Budget deficit 2020 (after transfers)	-658