

7. Budget 2018

Diocesan Synod

Chairman's Foreword

The 2018 budget, which Matthew very helpfully sets out in this paper, represents an important and exciting step forward. It includes an additional £300,000 of expenditure aimed specifically at growing the Church. We are investing in Mission Areas (and through them, in due course, the rest of the diocese), in new Resourcing Churches, and in more ordinands and curates for the future of the Church. This is on top of funds we have already committed to helping parishes develop their financial resources through the appointment of a Giving and Resources Adviser.

Most of the additional expenditure is made possible by new initiatives coming from the central Church. Oliver and his team have done a great job in successfully applying for Church Commissioners' Strategic Development Funds. The rest, together with our other expenditure commitments, is being met from our income and, in the case of capital work on properties, from capital reserves. In this way, we are able to balance our budget in 2018 and show a small surplus of £20,000.

It is the total expenditure, some £8.9m, that we ask you to approve on 11 November.

We have set the Parish Share at 4% above that of 2017 to keep ourselves on target to achieve the Church of England's goal of 50% more ordinands and curates by 2020 and thereby enable the Church's ministry to continue to flourish. This is challenging, yet it builds on the encouragement of last year's achievement.

We are satisfied that general expenditure is being properly managed and that the careful balance between keeping costs down and enabling the work to be done effectively and well is being struck. We are seeking to live within our means at the same time as pursuing our ambitions for Kingdom growth.

The budget has been agreed by the Bishop's Council and Board of Directors and they commend it to you, as do I on their behalf. We believe it embodies the principles that we have encouraged in all of us in our Parish Share conversations: to act responsibly, to be generous, and to depend on God in faith.

Andrew Lucas
Chairman of the Board

Matthew Hall, Head of Finance

Email: matthew.hall@bristoldiocese.org

Diocesan Office, First Floor, Hillside House, 1500 Parkway North, Stoke Gifford, Bristol BS34 8YU

0117 906 0100 | www.bristol.anglican.org | 

OVERVIEW

This paper sets out the proposed budget for 2018, with brief explanations of the main elements and underlying assumptions for the year ahead.

The 2018 Budget shows expenditure outstripping income by £180k. However, with £200k of this expenditure constituting improvement works to property and being funded by the Diocesan Stipends Fund (DSF) Capital Fund, this effectively means that the Board's general fund budget is in surplus by £20k.

Diocesan Synod is asked to authorise the Bristol Diocesan Board of Finance Limited to expend in the year 2018 sums totalling £8,915,000 in respect of the items in the Budget for that year

HOW THE DBF'S FINANCES WORK

Here is a brief reminder of what the Bristol Diocesan Board of Finance (DBF) does and therefore how its finances work. The budget reflects this in numerical terms. The DBF is the legal structure at the heart of the Diocese of Bristol. Its primary purpose is to promote and assist the work and purposes of the Church of England in the Diocese of Bristol.

In very basic terms, it does this by receiving funds from parishes across the Diocese, which it uses to pay for the provision of ministry and mission across the Diocese. This provision is mainly in the form of stipendiary clergy and their housing, but the DBF also pays for the training of new clergy, work in schools and a range of other activities in support of ministry at parish, deanery, diocesan and national level.

To supplement the funds received from parishes (in the form of Parish Share); the DBF receives other funds, including:

- the diocesan part of parochial fees received for occasional offices (wedding and funerals etc.);*
- grants from various external bodies and the national church;*
- income received from renting church land (glebe) and properties that are not currently needed for clergy;*
- Investment income from the DBF's historic assets.*

These additional sources of income to Parish Share minimise the burden on parishes to fund the entire cost of parish ministry and the infrastructure that supports it.

Description	2016 ACTUAL	2017 BUDGET	2018 BUDGET	2017 vs 2018
	£000	£000	£000	£000
INCOME				
Income from parishes				
Parish Share	5,185	5,441	5,681	240
Local fee income	358	377	340	-37
	5,543	5,818	6,021	203
Grants				
For ministerial training and deployment	880	1,069	1,165	96
For Education	238	205	206	1
For general use or Support Services	159	148	151	3
	1,277	1,422	1,522	100
Investment income				
Dividends and interest received	803	734	764	30
Glebe income	32	64	63	-1
	835	798	827	29
Property income				
Parsonage rental	254	210	259	49
Contribution towards DSS				
Charges / fees for central services	103	99	106	7
TOTAL INCOME	8,012	8,347	8,735	388
EXPENDITURE				
Parochial establishment				
Stipends, salaries, NIC	3,172	3,269	3,385	-116
Other ministry	391	392	439	-47
Grants to ministers	22	32	44	-12
Deanery costs	42	49	49	0
Ministry support and training (inc staff)	272	297	285	12
	3,899	4,039	4,202	-163
Initial ministerial training				
Training curate stipend cost	509	728	714	14
National Church Vote 1	194	190	230	-40
Grants to ordinands & curates	153	159	153	6
IME support and training (inc staff)	132	143	168	-25
	988	1,220	1,265	-45
Property costs				
Housing costs (inc staff)	1,415	1,288	1,357	-69
Non-parochial housing costs	93	86	107	-21
	1,508	1,374	1,464	-90
Diocesan support services (staff)				
Governance, Finance and Administration	468	457	472	-15
Diocesan Board of Education	252	237	248	-11
Parish and External Relations	323	382	390	-8
Staff related costs	14	18	18	0
	1,057	1,094	1,128	-34
Diocesan support services (non-staff)				
Training and other services provided	25	62	66	-4
Professional costs and services	102	98	109	-11
Information services, admin and expenses	180	182	196	-14
Other DBE expenditure	63	37	36	1
Office rent, rates & service charge	165	172	176	-4
Other costs	0	2	4	-2
	535	553	587	-34
National Church	253	260	269	-9
TOTAL EXPENDITURE	8,240	8,540	8,915	-375
NET INCOME BEFORE OTHER FUNDS	-228	-193	-180	13
Other fund income	277	189	283	94
Other fund expenditure	-292	-188	-283	-95
NET INCOME BEFORE TRANSFERS	-243	-192	-180	12
Funding from DSF Capital Funds	215	130	200	70
NET INCOME BEFORE GAINS	-28	-62	20	82

STRATEGIC INITIATIVES

The 2018 DBF Budget, and the Financial Plan that it is set within, aims to follow the objectives of the 2016 - 20 Strategic Plan and continue to redivert or invest additional resources in its strategic initiatives.

Strategic objectives

1. Resourcing and multiplying effective mission
 - Equipping an effective Diocesan Support Services function: adequate staffing, infrastructure and resilience and maximum focus on strategic initiatives.
 - Investing in Mission Areas and Resourcing Churches: additional funds raised or made available.

2. Optimising ministry and leadership
 - Additional investment in vocations team, number of ordinands and curates
 - Optimum deployment: focus on transition work, recruitment; reallocating parochial posts and property in line with mission need and opportunity.

3. Enhancing financial resources
 - Growing parishes' resources: Giving & Resources Adviser, Parish Giving Scheme
 - Equitable redistribution: Parish Share
 - Growing investment income
 - Maintaining and growing our grant supporters
 - Utilising surplus assets

Most central cost increases or reallocations in line with the objectives and initiatives have been made in 2016 and 2017 (primarily in Parish & External Relations and Training and other services provided).

Within the 2018 Budget, the additional costs related to strategic initiatives include:

Mission Areas and Resourcing Churches

Additional £178k expenditure on stipendiary posts in Parochial Establishment

Additional £55k expenditure on curacies in Initial ministerial training

Additional £70k expenditure on consultancy, training and grants to Mission Areas

Vocations, ordinands and curates

Although we intend to ordain a significant 9 stipendiary curates in July 2018, and increase vocations staffing by £10,000, the increased expenditure is offset by over budgeting in 2017 (failure to appoint curates to budgeted posts), reduction in Family Maintenance Grants.

Both these strategic initiatives have an impact on increasing the Property costs.

COMMENTARY - INCOME

Parish Share

Parish Share for 2018 has been requested using the approach that is now in its second year. The general consensus, obtained from the seminars that were held in June and September and other feedback, is that the approach is an improvement on its predecessor and the principles are fair and reasonable.

While the majority of parishes have yet to submit their commitments for 2018 (the deadline being the 31st October 2017), the figure in the Budget reflects the necessary increase to keep us on track towards our goal of increasing Parish Share to £6.2 million by 2020.

While many of the responses received so far would keep us on track, there is some concern that a number of the parishes asked for larger increases will not be raising their Parish Share contributions as much as is hoped.

Local fee income

Local fee income is the term used to describe the DBF's share of fees received for wedding and funeral services. Colloquially, the number of these services seems to be falling in a number of parts of the Diocese and this is reflected in the fees being paid over to the DBF by parishes in 2017. While there are various local factors that impact the number of weddings and funerals being conducted, the budget figure for 2018 reflects the expectation of a much lower level of income from these fees in 2018, dropping from £377k in 2017 to £340k in 2018.

Grants

The increase in grants towards ministry of £96k is largely in relation to the £263k of Strategic Development Funding (SDF) that will be drawn down in support of the Mission Areas and Resourcing Church initiatives, offset by the movement in the amounts being received from the National Church for the New Housing Areas work and ongoing mission projects. Funding for these latter initiatives is matched by the corresponding movement in related expenditure.

Investment income

Investment income derives largely from the Board's listed investments (with CCLA) 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%. Additional income is also likely to be achieved from surplus net funds from property transactions being invested. Income from glebe is expected to remain steady.

Property income

Income from the rent of functional properties, that are not required to house clergy, is expected to increase from the budget figure for 2017 of £210k to £259k in 2018. The current year's income is currently well ahead of budget and while a number of surplus properties are expected to be sold over the next 12 months, rental income in the 2018 Budget has been set at a more realistic level. This is based on known rentals and those that might be anticipated with the projected movement of clergy in 2018.

Contributions towards DSS (Diocesan Support Services)

The increase in funds received towards the work of the Diocesan Support Services of approximately £7k is largely due to the increasing number of DBAT staff (7 FTE) and the corresponding increase in DBAT's contribution to desk space at Hillside House. Income towards staff seconded to Bristol Cathedral and the St Matthias Foundation will go up in line with cost of living increases.

COMMENTARY - EXPENDITURE

Parochial establishment

The most significant factors in the increase of £116k in the cost of **stipends** within parochial ministry is the inclusion of new posts related to the Mission Areas and Resourcing Church initiatives, alongside increases in the cost of established posts.

A post-by-post projection of all stipendiary appointments across the Diocese and an anticipated stipend increase of 2% from January 2018 represents £35k of that increase.

Other ministry has increased by £70k of consultancy and grants in support of Mission Areas. This has been off-set by a 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.

Grants to ministers have increased to reflect the number of anticipated posts being filled in 2018, which is above that projected in 2017. **Deanery costs** are expected to remain steady and there is reallocation in the costs of the Ministry Development team from **ministry support** to IME support.

Initial ministerial training

Despite 2 new curate posts in support of the Resourcing Churches, due to start half way through 2018, the cost of **training curate stipends** is expected to fall marginally in 2018. That is mainly due to the failure to ordain as many candidates as expected over the past few years, with 5 'Year 2' curates, 4 'Year 3' curates and 4 'Year 4' curates being in post at the beginning of 2018. There are planned to be 7 curates ordained in July 2018 in addition to the two Resourcing Church curacies.

Contributions to the **National Church** for training (so-called 'Vote 1') is expected to fall significantly in 2018 to £230k. That has been determined as part of the National Church's annual apportionment calculations.

The net level of **grants to ordinands and curates** is expected to fall in 2018 by £6k. An increase in grants to new curates of £9k is offset by an expected reduction in the cost of family maintenance grants to students undertaking theological education of £15k.

The increase in **IME support and training** costs is largely due to increased staffing levels (especially within the DDO) as greater focus is put on this strategic area.

Property costs

The budget for property costs for 2018 is based on the realistic expectation of the work required to maintain the Board's managed properties over the next year. Analysis has been carried out to identify the specific and routine works required in 2018, with quinquennial works and improvement works (usually done in vacancy and funded by DSF Capital) largely accounting for the increase. The amount of improvement works funded by DSF Capital is expected to be around £200k, having actually been £215k in 2016.

Diocesan support services (staff)

Within the increases to the cost of DSS Staff, the most significant factors are the cost of living increases, the full year cost of a number of posts with increased hours to cover operational requirements and more realistic costs related to the servicing of the closed staff pension scheme. Given the age profile of that particular scheme's members, the past few years have witnessed an increased number of annuity purchases, with associated fees. The 2018 budget is projected to reflect a more typical pattern of these costs.

Diocesan support service (non-staff)

Similarly, there are a number of changes to the DSS non-staff expenditure that reflect more realistic expectations for the year ahead. This includes an increase of £10k to the IT budget and increases to the cost of insurance cover (£4k), Registrar's fees (£2k), Chancellor's fees (£2k) and other legal and professional fees (£8k).

National Church

As anticipated, the contributions made to the National Church for so-called 'Votes 2 to 5' under the apportionment regime will increase by £9k in 2018. This covers National Church responsibilities (vote 2), grants & provisions (vote 3), mission agency pension contributions (vote 4) and CHARM retirement housing (vote 5). These contribution levels are set by the National Church.

OTHER FUNDS

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