



FOREWORD

I am pleased to be able to commend the 2019 Budget to you in advance of the Synod.

The Finance Committee and the Board of Directors have been working with Oliver Home, Matthew Hall and others on a budget that we think properly represents the operational needs and strategic intentions of the Diocese in 2019. The budgeted expenditure, which Synod is asked to authorise, can be found summarised on the final page of this paper and totals £9.64m.

It represents an 8% increase over 2018. That increase can be found in three areas, all directly related to our strategic focus on growth through ministry and mission:

1. expenditure on parish clergy (parochial establishment), up by 4% (and 13% over two years);
2. expenditure on curates and ordinands (initial ministerial training), up by 25% (and 53% over two years); and
3. expenditure on property, up by 15% (and 8% over two years).

We have been able to allocate increased expenditure to parish clergy in large part because of the Strategic Development Fund (SDF) grants we have received from the Church Commissioners for developing work through Mission Areas and Resourcing Churches. SDF grants have also contributed to some of the additional expenditure on curates. The expenditure on curates and ordinands is part of a wider Church strategy to ensure that the numbers of clergy across the whole Church of England hold up as a larger than normal percentage of clergy retires over the next few years. Much of the increase in property expenditure is deemed to be of a capital nature and will therefore be met from capital funds.

While these areas have all seen increased budget allocated to them, the Diocesan Support Services team has worked hard to keep its own budget allocation to a rise of 1.6% this year, following a 2% rise last year. Once account is taken of SDF supported expenditure, the DSS have seen a net decrease in their budget in 2019.

The resultant overall deficit is forecast to be £133,000, well within a normal margin of error from the balanced budget that we are aiming to achieve.

The pivotal income figure is the Parish Share. There has been a lot of work done in the last couple of years on making the Parish Share contribution better understood and more transparent. The Budget keeps to the Parish Share target we have set ourselves to meet over a four year period. It is ambitious, but, we believe, achievable. As it stands, it funds 85% of the total we spend as a diocese on the direct costs of parish clergy, housing and training, excluding the increased expenditure on Mission Areas and Resourcing Churches.

The Board of Directors has approved this Budget. We believe it to be based on sound principles of good management of overheads, as well as fairness and transparency. It also seeks to be faithful to our vision of a growing Church, making ever deeper connections with the communities we serve.

**Andrew Lucas, Chair of the Bristol Diocesan Board of Finance
November 2018**

Matthew Hall, Deputy Diocesan Secretary (Finance & Operations)

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 | 

The Bristol Diocesan Board of Finance Limited | Reg. in England: Charity 248502, Company 156243

BUDGET OVERVIEW

This paper sets out the budget for 2019, with brief explanations of the main movements and underlying assumptions for the year ahead. It begins with brief introductions on how the Bristol Diocesan Board of Finance (DBF) finances work, including Parish Share, and the impact of Strategic Development Funding (SDF) in 2019.

The 2019 Budget shows expenditure outstripping income by **£453k** overall. However, with **£200k** of this expenditure constituting improvement works to parochial property (funded by the Diocesan Stipends Fund (DSF) Capital Fund) and **£120k** for improvements to the Archdeacons' houses (funded by the DBF's capital funds), this effectively means that the DBF's main funds budget is in deficit by **£133k**.

The budget presented in this paper is predicated on receiving Parish Share contributions of **£5.95 million** in 2019. This is an ambitious target that keeps the Diocese on track towards its goal of funding its strategic goals and financial aspirations. However, there is a **significant risk** that Parish Share receipts will not reach this level.

SUMMARY OF CHANGES FROM 2018

The following table shows the main areas of significant change in the budget for 2019, compared to the budget for the previous year:

	£000
<i>Budget deficit 2018 (before transfers)</i>	-180
<i>Income</i> <small>(+ denotes increase in income; - denotes decrease)</small>	
Parish Share	+269
Local fee income (occasional offices)	-5
Grants for parish ministry (mainly SDF)	+185
Other income	-13
<i>Expenditure</i> <small>(+ denotes decrease in expenditure; - denotes increase)</small>	
Parochial establishment	-192
Curates and ordinands	-275
Housing costs	-218
DSS and National Church (incl. SDF funded post)	-40
Other funds	+16
<i>Budget deficit 2019 (before transfers)</i>	-453
Funding from DSF Capital	+200
Capital funding for Archdeacons' housing	+120
<i>Budget deficit 2019 (after transfers)</i>	-133

In line with the Strategic and Financial Plans of the Diocese, enacted through the Diocesan Board of Finance (DBF), the areas of expenditure in this budget that have significantly increased largely relate to:

1. **Increasing investment in future ministry** (i.e. those in training - ordinands and curates)
2. **Investing in parochial ministry** (including through the Mission Areas and Resourcing Churches initiative)

Diocesan Synod is asked to authorise the Bristol Diocesan Board of Finance Limited to expend in the year 2019 sums totalling £9,640,000 in respect of the items in the main Budget for that year.

HOW THE DBF'S FINANCES WORK

This is a brief overview 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 entity 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 so by funding ordained and other forms of local ministry across the Diocese, the training of new clergy (ordinands and curates) and lay ministers and a range of support services (training, consultancy etc) to ministers, parishes and schools at parish, deanery, diocesan and national level. A charity with a turnover of almost £10m, a balance sheet of over £50m, and a complex governance structure, the DBF inevitably has to meet its central management costs.

The DBF funds its activities from a range of sources. The largest source collectively is made up of the gifts given by each parish towards ministry known as **Parish Share** (64% of income in 2017). Parish Share is an approach based on the teaching of St Paul in 2 Corinthians and common across the Church of England of parishes giving, according to their ability, to other parishes, according to their need and the wider needs of the Diocese.

A leaflet outlining Parish Share and what it contributes to is enclosed with these papers and there will be a discussion about Parish Share as part of the budget debate. In addition, you can find more material about Parish Share on the diocesan website www.bristol.anglican.org/parish-share-2019

The DBF generates other income to support its activity, namely:

- 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 have increased considerably in the last 10 years, increasing from 26% to 36% of income. They reduce considerably the burden on parishes to fund the entire cost of parish ministry and the infrastructure that supports it. Parishes also raise £11m each year over and above what they give in Parish Share to spend on other ministry in their parishes.

Although this is a financial reflection of the DBF's work, the Diocese is immeasurably resourced through the generous giving of people's time and gifts. The Diocese of Bristol could not provide the level of ministry that it does without the invaluable contribution of so many volunteers and those in self-supporting roles.

STRATEGIC DEVELOPMENT FUNDING (SDF)

In recent years, the National Church has changed the way it is willing to fund dioceses and has launched a new stream of grant funding called Strategic Development Funding (SDF). Strategic Development Funding supports major change projects which lead to a significant difference in dioceses' mission and financial strength. It is only available to dioceses directly and the projects applied for should fit with the strategic plans of the diocese.

With *Creating Connections* and the Diocese's Strategic Plan already in place, the Diocese of Bristol was well placed to initiate the type of major change projects envisaged. In our case, these would take the form of three new Mission Areas and two new Resourcing Churches, all designed to reinvigorate and resource parochial ministry.

The SDF funds are effectively 'new money' and the financial implications of the SDF funded projects within the 2019 Budget are shown below:

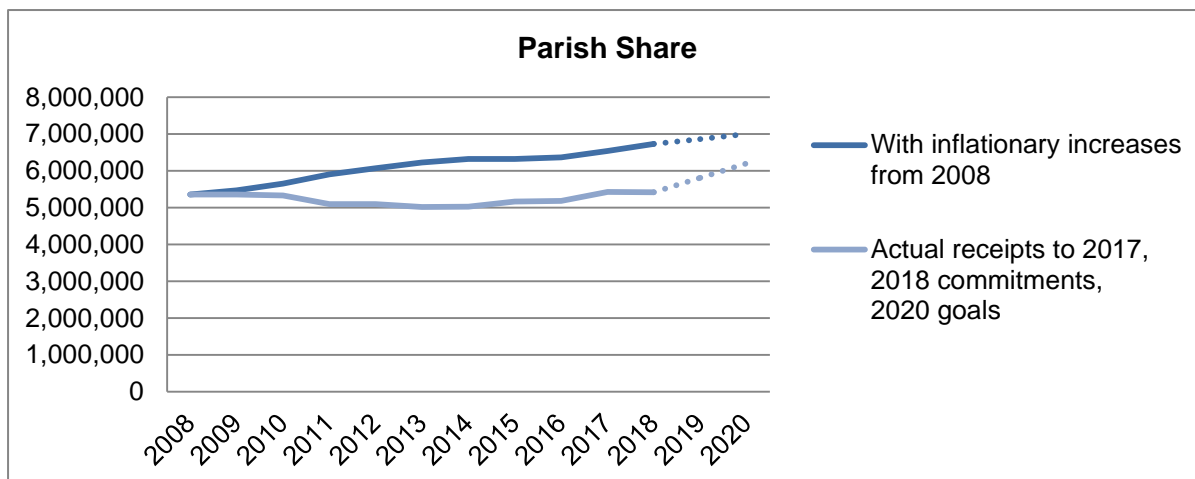
	2019 SDF BUDGET	2019 MAIN BUDGET	2019 BUDGET
	£000	£000	£000
INCOME			
Income from parishes	-	6,285	6,285
Grants and charges / fees	421	1,297	1,718
Investment income	-	842	842
Property income	-	250	250
Contribution to DSS	-	76	76
TOTAL INCOME	421	8,750	9,171
EXPENDITURE			
Parochial establishment	270	4,124	4,394
Initial ministerial training	92	1,448	1,540
Property costs	-	1,682	1,682
DSS (staff)	78	1,086	1,164
DSS (non-staff)	-	582	582
National Church	-	278	278
TOTAL EXPENDITURE	440	9,200	9,640
NET INCOME BEFORE OTHER FUNDS	-19	-450	-469
Other fund income	-	264	264
Other fund expenditure	-	-248	-248
NET INCOME BEFORE TRANSFERS	-19	-434	-453
Capital funding	-	320	320
SURPLUS / DEFICIT	-19	-114	-133

COMMENTARY - INCOME

Parish Share

Parish Share for 2019 has been requested using the approach that is now in its third year. This approach continues to garner general support from parishes, based on the feedback obtained from the recent *Giving to God* seminars and opinion received more widely. 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*.

While the majority of parishes have yet to confirm their commitments for 2019, 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. To put the overall request for 2019 of **£5.95m** in context, if total Parish Share receipts had increased in line with the Consumer Price Index (CPI) from 2008, the receipts for 2018 would be around £6.7m.

Local fee income

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.

Occasional offices (reported on Statistics for Mission Returns)	2014	2015	2016	2017
Marriage	699	650	587	477
Funeral, church	838	936	903	894
Funeral, crem./cemetery	846	768	766	746
TOTAL	2,383	2,354	2,256	2,117
Annual change (%)		-1.2%	-4.2%	-6.2%

While there are various local factors that impact the number of weddings and funerals being conducted, the budget figure for 2019 reflects the expectation of lower level of income from these fees 2018 in line with the average rate of decline in recent years. This decline is mitigated in part by annual fee increases, in line with RPI (2.4% in August 2018). In 2019, income from parochial fees is therefore projected to drop from **£340k** in 2018 to **£335k**.

Grants

The increase in grants is mainly in relation to the Strategic Development Funding (SDF) that will be drawn down in support of the Mission Areas and Resourcing Church initiatives in 2019. **£263k** was budgeted in 2018, compared to **£421k** in 2019. **£12k** of the remaining increase in ministerial grants of **£27k** is due to an increase in Lowest Income Communities (LinC) grants, which the DBF receives from the National Church. The remainder relate to the movement in the amounts being received from the National Church for the New Housing Areas work and ongoing mission projects and which are matched by the corresponding movements in related expenditure. The reduction in education income of **£48k** is mostly due to the likely reduction of services bought by the Diocese of Bristol Academies Trust (DBAT) (**£54k**) and a revision of the income due from education team activities. Finally, grants to the DBF from All Churches Trust are expected to increase by **£53k** in 2019, with uplifts to a number of other grants accounting for the remaining **£6k** increase.

Investment income

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%. Additional income may 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. Income from glebe is expected to remain steady.

Property income

Income from renting out functional properties, that are not required to house clergy, is expected to decrease from the budget figure for 2018 of **£258.8k** to **£250k** in 2019. This decrease is largely based on more properties being used to house an increased number of clergy in 2019.

Contributions towards DSS (Diocesan Support Services)

The decrease in funds received towards the work of the Diocesan Support Services of approximately **£30k** is largely due to two main factors. The first is the ending of an arrangement to second staff to Bristol Cathedral. The second factor is the reduction in the number of DBAT staff (from 7 to 6) and the corresponding decrease in DBAT's contribution to desk space at Hillside House. Contributions from the St Matthias Foundation are expected to go up in line with cost of living increases.

COMMENTARY - EXPENDITURE

Parochial establishment

The most significant factor in the increase in the cost of *stipends* within parochial ministry is the inclusion of new posts related to the Mission Areas and Resourcing Church initiatives.

A post-by-post projection of all incumbent status stipendiary appointments across the Diocese and an anticipated stipend increase of 2% from January 2019 have also adjusted the cost of stipendiary clergy posts to **£3,489k** in 2019. The overall cost of established parish posts is projected to be **£3,300k**, with the projected cost of Mission Areas and Resourcing Churches posts being **£189k**. Having taken into account likely vacancies, this equates to **89.46 FTE** established parish posts in 2019 (from a budgeted **86.5 FTE posts** in 2018).

Other sector ministry (including chaplaincy) is projected to increase marginally by **£2k** to **£441k** in 2019. This incorporates **£81k** of costs relating to the Mission Areas, including the cost of CEMES workers.

Grants to ministers are expected to increase by **£12k** to reflect the number of posts expected to be filled

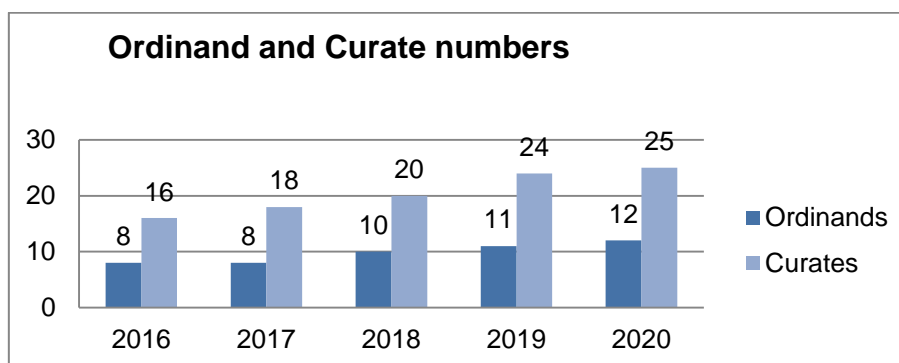
in 2019. **Deanery costs** are expected to marginally increase by **£3k**. The increase in **ministry support** costs of **£71k** largely relates to the full-year costs of a second archdeacon and the requirement of the Head of Ministry Development post to be paid a salary rather than stipend plus housing.

Initial ministerial training

The cost of training curacy stipends is expected to be **£792k**, a significant increase on 2018. At the end of 2019, there are projected to be the following number of curates in post, with 11 new curates commencing in July 2019.

Training curacies	No. at end of 2019	FTE
Year 1 – starting at Petertide	11	5.5
Year 2	7	7
Year 3	5	5
Year 4	2	3.17
Year 5	0	0.5
TOTAL	25	21.17

This increase in spending on training curacies is marginally ahead of the aspirations of the Financial Plan, as follows:



Having reduced in 2018, contributions to the **National Church** for training (so-called 'Vote 1') are expected to increase in 2019 by **£35k** to **£265k**. That has been determined as part of the National Church's annual apportionment exercise and the most significant part of that increase (**£28k**) relates to the 2017/18 pooling adjustment for ordinands' maintenance.

One of the largest increases in costs, compared to 2018 is in respect of **grants to ordinands and curates** which are expected to increase significantly in 2019 by **£146k**. **£16k** of that increase relates to removal, resettlement and first appointment grants due to be paid to the 11 new ordinands starting at Petertide 2019, with the remaining **£130k** representing a sizeable increase in the cost of maintenance grants paid to those undertaking theological training.

The increase of **£16k** in **IME support and training** costs is largely due to an increase in the vocational promotions budget of (**£6.4k**), additional BAP (Bishop's Advisory Panel) costs (**£3k**) and the provision of additional DDO capacity.

Property costs

The budget for property costs for 2019 is based on the expectation of the 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 2019. Significant additional expenditure of **£102k** is expected on parochial housing costs and this includes a projected increase in Council Tax of **£30k** and an additional **£72k** on quinquennial works, vacancy works and interim repairs. The level of improvement works

(usually done during vacancy and funded by DSF Capital) is expected to be **£200k**, the same amount budgeted for 2018.

The increase in expenditure on non-parochial housing is particularly notable for 2019, with some **£166.5k** due to be spent on vacancy (and other) works, mostly in relation to two particular properties, both archidiaconal. This represents an increase of **£116k**, compared to the 2018 budget. Due to the nature of this work, **£120k** of the cost of upgrading these properties will be funded using the capital funds of the DBF. A combination of an expected to increase in insurance premiums and marginal decreases in water rates accounts for the remaining changes.

Diocesan support services (staff)

The overall cost of Diocesan Support Services staff is expected to increase overall by **£35k** in 2019. The increase under *Governance, Finance and Administration* of **£2k** is a combination of the DAC secretariat being brought in house (off-set by non-staff savings), cost of living increases and other minor staff changes.

Savings under the *Diocesan Board of Education* heading of **£432k** relate to changes planned for the Education Team, which envisages the Diocesan Director of Education no longer being part-seconded to the Diocese of Bristol Academies Trust, DBAT.

The increase in costs under *Parish & External Relations* (**£47k**) includes two new posts (one full-time and one part-time) in relation to strategic programme management, both of which are funded by Strategic Development Funding (SDF).

Diocesan support service (non-staff)

There are a number of changes to the DSS non-staff expenditure expected in 2019 which will result in an overall budgeted saving of **£5k** compared to 2018. The most significant change under the professional costs and services heading of **£23k** relates to the DAC secretariat being brought *in house* (see above). The **£23k** increase under *information services* includes approximately **£17k** of remodelling works to the Diocesan Office (£50k over 3 years) to accommodate two archdeacons.

National Church

The contributions made to the National Church Institutions (NCIs) for so-called 'Votes 2 to 5' under the apportionment regime will increase by just under **£9k** in 2019. 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 NCIs and, along with the contribution for Training for Ministry (Vote 1), represent a 3.1% increase in 2019.

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.

<u>DBF BUDGET 2019</u>	2017 ACTUAL £000	2018 BUDGET £000	2019 BUDGET £000	2019 VS. 2018 £
INCOME				
Income from parishes				
Parish Share	5,428	5,681	5,950	269
Local fee income	306	340	335	-5
	5,734	6,021	6,285	264
Grants and charges / fees				
For ministerial training & deployment	976	1,165	1,350	185
For Education	256	206	158	-48
For general use or Support Services	149	151	210	59
	1,381	1,522	1,718	196
Investment income				
Dividends and interest received	708	764	779	15
Glebe income	60	63	63	-
	768	827	842	-15
Property income				
Parsonage rental	294	259	250	-9
	294	259	250	-9
Contribution towards DSS				
Charges / fees for central services	113	106	76	-30
	113	106	76	-30
TOTAL INCOME	8,290	8,735	9,171	436
EXPENDITURE				
Parochial establishment				
Stipends, salaries, NIC	3,152	3,385	3,489	-104
Other ministry	377	439	441	-2
Grants to ministers	37	44	56	-12
Deanery costs	38	49	52	-3
Ministry support and training	272	285	356	-71
	3,876	4,202	4,394	-192
Initial ministerial training				
Training curate stipend cost	560	714	792	-78
National training costs (Vote 1)	190	230	265	-35
Grants to ordinands & curates	113	153	299	-146
IME support and training (inc staff)	139	168	184	-16
	1,002	1,265	1,540	-275
Property costs				
Housing costs (inc staff)	1,501	1,357	1,459	-102
Non-parochial housing costs	59	107	223	-116
	1,560	1,464	1,682	-218
Diocesan support services (staff)				
Governance, Finance and Administration	452	472	500	-28
Diocesan Board of Education	238	248	206	42
Parish and External Relations	382	390	437	-47
Staff related costs	19	18	21	-3
	1,091	1,128	1,164	-36
Diocesan support services (non-staff)				
Training and other services provided	49	65	64	1
Professional costs and services	95	110	87	23
Information services, admin and ex	201	197	220	-23
Other DBE expenditure	71	35	37	-2
Office rent, rates & service charge	165	176	172	4
Other costs	9	4	2	2
	590	587	582	5
National Church	260	269	278	-9
TOTAL EXPENDITURE	8,379	8,915	9,640	-725
NET INCOME BEFORE OTHER FUNDS	-89	-180	-469	-289
Other fund income	254	283	264	-19
Other fund expenditure	-419	-283	-248	35
NET INCOME BEFORE TRANSFERS	-254	-180	-453	-273
Funding from DSF Capital Fund	256	200	200	0
Funding from DBF Capital Funds	-	-	120	120
GENERAL FUNDS SURPLUS / (DEFICIT)	2	20	-133	-153