



8. 2023 Budget, Bristol Diocesan Board of Finance Ltd Diocesan Synod, November 2022

INTRODUCTION

I am pleased to write this introduction to the 2023 diocesan budget.

2023 is the first full year of implementation of the Transforming Church. Together programme. 2023 is also likely to be a time of great uncertainty, difficulty and hardship in the world. Setting budgets in that context is difficult, and at the last meeting of Synod, we heard that if our budget is, for whatever reason, adversely affected, then the outcomes from the Strategic Plan will be rephased as necessary. A plan is just that - we may have to flex it. Synod will be kept up to date about significant changes.

No one could have known the extent of the coming changes in the world when the 2022 budget was approved by Synod in November 2021. By the Grace of God, and the diligent and hard work of his servants in the Diocese, the financial year is set to be put to bed with a deficit substantially smaller than we had budgeted for. The majority of our income comes from the Parish Share, 99% of the budget for which is set to be collected in 2022, and we continue to be very grateful to all those who give generously.

The improved position is largely down to changes in clergy posts with a higher level of vacancy. The assumption is that, in 2023, this level will return to what was budgeted for 2022. Pension and national insurance costs are together much lower than we have experienced, meaning that parish and future ministry costs are only slightly higher than the forecast for 2022, even with a 5% cost of living increase. Support has been made available immediately for increased parish energy costs, and we have budgeted to align the timing of the pay increase for support staff with that for clergy to provide some relief for them in these challenging times.

Environmental issues will feature increasingly in plans and budgets. In 2022, the Diocese carried out programmes of work on asbestos and legionella. A lower level of this continues into 2023, but there is higher level of quinquennial cost in 2023 and we will have a new in-house surveyor from April. More importantly, 2023 will see the TCT programme further develop plans for carbon net zero. A full understanding of the implications of this commitment is developing, but we will not know the total cost or the funding options immediately. Synod will be updated on progress with this aspect in due course.

Returning then to the Parish Share, the budget is the same as for 2022, and the Diocese is completing the collection of pledges for 2023. We trust that this is achievable.

We show a deficit for the year of £610,000 for the year. The plan is to eliminate the deficit in the period of the strategic plan. Taking into account the projected deficit for 2022, we expect the level of uncommitted general reserves at 1 January 2023 to be about £8.5m against which the 2023 deficit will be set.

I commend the budget to Synod for approval.

Richard Bacon, Vice Chair of the Diocesan Board of Finance

Budget 2023

The following paper outlines the Budget for 2023 approved by Bishop's Council on 17th October 2022.

INTRODUCTION

This paper sets out details of the 2023 Budget for the Bristol Diocesan Board of Finance Ltd. It is based on the Transforming Church. Together (TCT) year 1 plan, the expected outturn for 2022, and the assumptions outlined below:

Assumptions:

Specific assumptions used in the preparation of the figures are:

- Staffing reflects the known changes in resources including vacancies. The levels reflect both business as usual and the Transformation programme, with all additional roles funded by local grant-making bodies or the National Church. Any interim or consulting costs are shown in non-payroll. The budget figures reflect the recent removal of the Employer's National Insurance increase.
- Clerical posts are based on 2022 known movements (including reduced pension costs) together with assumptions regarding vacancies arising in 2023. A **5% COLI** is built in with effect from April 2023. The budget figures reflect the recent removal of the Employer's National Insurance increase. The assumptions regarding 2023 budgeted posts compared to 2022 forecasts are shown below:

Clerical Posts	2022 Posts FTE's	2022 Vacancy rate	2023 Posts FTE's	2023 Vacancy rate
Clergy	78.4	20.4%	83.13	16.6%
Curates	26.77	N/A	27	N/A

- Staff costs reflect the planned changes to deliver TCT plus an assumed **COLI of 5%** and moving the annual pay award to be concurrent with the main Clergy payroll to 1 April 2023. This brings forward the pay award by 3 months.
- NCI Transformation funding of £5.6m over 5 years, plus NCI Capacity-building funding of £151k in 2022, and £110k in 2023.

There have been a number of refinements to the budget presented to Synod in September. The main areas of movement are:

Property: Following the appointment of a new Property Director a number of regulatory and organisational shortfalls have been addressed including provision for Asbestos work in 2022, Legionella (split 50:50 between 2022 and 2023) and Environmental staffing from April 2023. An in-house Surveyor will be appointed saving external out-sourced surveyor costs.

External Relations: The new Director has reviewed the resources needed to deliver the Communication strategy currently being developed. Along with the TCT communication and fundraising roles, additional communications and marketing support has been included in 2023.

The above, together with some other minor changes have moved the deficit from the previous version from £(515)k to £(610)k. The final sum is closely aligned to the year 1 TCT planned deficit.

Other uncertainties remain for:

Income

- The level of Parish Share given current inflationary pressures.
- Assumptions around the likely amount of fee income to be received.
- The timing and size of property and investment sales or purchases transactions.
- Precise National Church funding levels and sequencing.
- Timings of SDF income and expenditure.
- Arrangements for the commercial let of the Pattern Church offices.
- Confirmation of the Bishop Monk Horfield Trust income streams and their treatment.
- On the advice of the investment manager, Investment income is based broadly in line with 2022. It is anticipated that as inflationary reduction measures are implemented, deposit yields will increase, increasing interest received. However, this assumes no change in the number of units held, which will need to be reviewed with the capital cashflow in due course.

Expenditure

- Family maintenance grants are based on best estimates at this time.
- Inflationary pressures, especially energy costs.

TRANSFORMING CHURCH. TOGETHER

National Church Capacity Funding for detailed planning work of £151k in 2022, and £110k for 2023, is included in the Forecast for 2022 EOY and Budget 2023 respectively.

The impact of the Strategic Transformation funding for the TCT project is currently reflected in the 2022 forecasts or 2023 budgets as Grant Income and matching costs lines made up as follows:

Strategic Funding/TCT	£k
Total over 5 Yrs	5,600
Annualised	1,120
Approved/spent in F'cast 2022	151
Balance in 2023	969
Already in Bud 2023	110
Total Approved as initial funding	261

2. WHERE WE ARE IN 2022 Forecast (September actuals plus 3 months' forecast)

The full year forecast shows income being ahead due to TCT funding and support grants plus parsonage rental income. Expenditure will be above budget 2022 due to exceptional property improvement costs and DSS central support costs for IT renewal and TCT-funded costs.

	Budget	Projection	Difference
	£k	£k	£k
INCOME			
Parish share	5,500	5,432	(68)
Grant income	1,711	1,990	278
Investment income	1,049	1,009	(40)
Other income	559	679	120
Total income	8,819	9,110	290
EXPENDITURE			
Parish ministry	4,214	3,977	237
Future ministry	1,740	1,590	149
Property costs	1,559	2,175	(617)
Diocesan Support Services & central costs	1,929	2,314	(385)
National Church	270	251	18
Total expenditure	9,712	10,307	(598)
Surplus /(Deficit) before transfers	(893)	(1,197)	(308)
<i>Add back: Funding from the DSF Capital fund</i>	<i>200</i>	<i>660</i>	<i>460</i>
<i>Net income from other funds</i>	<i>12</i>	<i>4</i>	<i>(8)</i>
Surplus/ (Deficit)	(681)	(533)	144

2.1. We can now make reasonable projections about where we might end up at the end of the year. The 2022 Budget deficit of **£681k** was predicated on achieving Parish Share of **£5.5 million**. As things stand, Parish Share commitments are only **£5.36 million** meaning that the starting deficit increased by **£144k**. However, late contributions for 2021 and additional contributions for 2022 currently total £81k, reducing the shortfall to **£63k**.

2.2. Given the budgeted deficit **£681k**, the projected result for 2022 of a **(£533k)** deficit represents a significant recovery. This has been largely achieved through increased movements in clergy leading to temporarily reduced clergy numbers and increased rental income from vacant houses, together with the reduction in clergy pension and Employer's National Insurance costs.

2.3. 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.

2.4. The Strategic Capacity Funding of £151k approved by the Strategic Investment Board is included in Grant Income, and offset by TCT capacity building costs in the Diocesan Secretary's department.

3. BUDGET 2023

3.1. The 2023 Budget is summarised below alongside the latest forecast estimates for 2022:

HEADLINE SUMMARY	2022 Forecast	2023 Budget	Difference
	£k	£k	£k
INCOME			
Parish share	5,432	5,500	68
Grant income	1,990	2,918	928
Investment income	1,009	1,095	86
Other income	679	588	(91)
Total income	9,110	10,101	991
EXPENDITURE			
Parish ministry	3,977	4,041	(64)
Future ministry	1,590	1,675	(85)
Property costs	2,175	1,827	348
Diocesan Support Services & central costs	2,314	3,174	(860)
National Church	251	251	0
Total expenditure	10,307	10,968	(661)
Surplus /(Deficit) before transfers	(1,197)	(867)	330
<i>Add back: Funding from the DSF Capital fund</i>	660	250	(410)
<i>Net income from other funds</i>	4	7	3
Surplus/ (Deficit)	(533)	(610)	(77)

3.2. Budget Income is up on 2022 by £991k to £10.1m due mainly to Strategic Transformation Fund income. Expenditure of £10.9m is up £661k from the TCT expenditure funded by grant income and property costs. The net deficit at £610k is £77k higher than 2022 forecast of £533k, but in line with year 1 of the TCT budget.

3.3. The 2023 Budget shows expenditure outstripping income by **£867k** overall. However, with **£250k** of this expenditure constituting improvement works to property and being funded by the Diocesan Stipends Fund (DSF) Capital Fund means that the DBF's main funds budget is in deficit by **£610k**.

3.4. The Strategic Transformation Funding adds £969k to Grant income slightly less than the annualised £5.6m due to the £151k approved in 2022.

3.5. Diocesan support costs shows the contra cost entry to the grant funding.

3.6. Parish Share is estimated at £5.5m in 2023 and is subject to the work currently taking place to confirm commitments for 2023.

3.7. The additional funding from the DSF Capital Fund leads to a significant reduction in funding of £410k in 2023, but this is simply due to the approved exceptional activity in 2022.

3.8. The deficit in 2023 will be £(610)k, £77k worse than 2022 forecast. The original TCT 5 year plan deficit was for a £(600)k shortfall and the budget for 2023 is within £10k of the plan.

Risks & Mitigation:

The current risks in respect of the 2023 budget are:

- I. Parish Share declines: Mitigation includes reducing discretionary costs and bringing forward fund raising activities
- II. Investment Income: Declines due to economic recession in equities markets: Mitigation includes reviewing the investment strategy, releasing funds, Total Return Accounting
- III. National Church TCT Funding reduced: Mitigations include reduction in costs or extending programs of implementation, Stopping activities.
- IV. Staff Retention & Recruitment difficulties: Mitigations include improving salaries and benefits attractors including training and development, holidays, staff benefits.
- V. Staff Capacity to Implement Transformational Change programs: Mitigations include Staff welfare support, reviews and assessments.

The detailed budget can be found in Appendix A below.

Appendix A: Draft Budget 2023 – Income

BUDGET SUMMARY	2021 ACTUAL	2022 BUDGET	2022 FORECAST	2023 BUDGET	Budget Variance
Description	Full year	Full year	Full year	Full year	2023 vs 2022
	£000	£000	£000	£000	
INCOME					
Parish Share	5,114	5,500	5,432	5,500	68
Grants					
For ministerial training and deployment	1,403	1,306	1,320	1,365	45
For Education	134	159	160	175	15
For general use or Support Services	327	246	358	227	-131
Furlough grant income	1	0	0	0	0
SF/TCT Grant	0	0	151	969	818
Innovation Grant	0	0	0	82	82
Fundraising	0	0	0	100	100
	1,866	1,711	1,990	2,918	929
Investment income					
Dividends and interest received	941	962	956	1,017	61
Commercial property income	0	34	0	25	25
Glebe income	38	53	53	53	0
	979	1,049	1,009	1,095	86
Other income					
Parsonage rental	332	250	370	300	-70
Charges / fees for central services	40	32	32	11	-21
Local fee income	263	277	277	277	0
	635	559	679	588	-91
TOTAL INCOME	8,594	8,819	9,109	10,101	992

Income - Major Variance Analysis

Parish share:

Based on 2022 new formula, the outcome of which is yet to be confirmed.

Grants:

General use and Support Services.

Grants for general use or support services reduces due to reduction in funding from Benefact Trust and the tapering of the existing Strategic Capacity Funding.

SF/TCT grant:

TCT funding represents £818k of the variance of which £261k has been approved

Innovation Grant:

New grant approved in 2022 due to take effect in 2023.

Parsonage rental:

Reduces due to the anticipated increased occupancy by clergy.

Appendix A: Draft Budget 2023 – Expenditure

BUDGET SUMMARY	2021 ACTUAL	2022 BUDGET	2022 FORECAST	2023 BUDGET	Budget Variance
Description	Full year	Full year	Full year	Full year	2023 vs 2022
EXPENDITURE					
Parish ministry					
Stipends, salaries, NIC	3,533	3,374	3,167	3,173	-6
Other ministry	417	414	386	372	14
Grants to ministers	29	52	46	105	-59
Deanery costs	22	48	42	54	-12
Ministry support and training (inc staff)	311	326	335	336	-1
	4,313	4,214	3,977	4,041	-64
Future ministry					
Training curate stipend cost	1,180	1,205	1,112	1,061	51
National training costs (Vote 1)	225	225	225	225	0
Grants to ordinands & curates	84	97	68	198	-130
IME support and training (inc staff)	176	212	185	191	-6
	1,665	1,740	1,590	1,676	-85
Property costs					
Housing costs (inc staff)	1,400	1,482	2,048	1,747	301
Non-parochial housing costs	112	77	123	76	47
Commercial property costs	1	0	4	4	0
	1,512	1,559	2,175	1,827	348
Diocesan support services (staff)					
Governance, Finance and Administration	533	534	569	649	-80
Diocesan Board of Education	192	192	183	220	-37
Parish and External Relations	456	453	459	401	58
Sf/TCT staff	10	11	44	105	-62
Staff related costs	17	21	15	15	1
	1,208	1,210	1,270	1,389	-120
Diocesan support services (non-staff)					
Training and other services provided	39	75	55	53	2
Professional costs and services	123	104	126	112	13
Information services, admin and expenses	146	155	338	194	144
Other DBE expenditure	21	42	42	58	-16
Office rent, rates & service charge	157	176	189	232	-43
Other costs	1	1	1	1	0
Innovation Expenditure	0	0	0	95	-95
SF/TCT Costs	0	0	133	864	-730
	486	552	883	1,609	-726
Other specific central costs					
Cost of borrowing	68	39	33	28	5
IT systems and support	85	40	40	60	-20
Cost of historic pension scheme	89	88	88	88	0
	242	167	161	176	-15
National Church	270	270	251	251	0
TOTAL EXPENDITURE	9,696	9,711	10,308	10,969	-661
NET INCOME BEFORE OTHER FUNDS	-1,102	-892	-1,199	-867	331
Other fund income	236	267	268	269	1
Other fund expenditure	-323	-255	-264	-262	2
NET INCOME BEFORE TRANSFERS	-1,188	-880	-1,195	-860	335
Funding from DSF Capital Fund	244	200	660	250	-410
SURPLUS / (DEFICIT) BEFORE GAINS	-944	-680	-535	-610	-75

Expenditure - Major Variance Analysis

Parish Ministry

Stipend salaries & NIC:

Reflects the reduced pension contribution from 36% to 28%; reduced Employer's NIC rate (a saving of £54k); and changes in clergy numbers as per the table above.

Other Ministry

Represents the tapering of the Mission Areas and Resourcing Churches work

Grants to Ministers

Reflects the recruitment into vacant posts and associated grant support.

Future Ministry

Training Curate:

Assumes intake of 6 new curates in 2023. Of the remaining 8 curates from 2019, it is anticipated that at least 4 will take up permanent incumbent positions.

Grants to ordinands

The pooling adjustment from National Church results in additional costs of £88k.

IME Support

The variance relates to the restructuring of the team following staff movements.

Property Costs

Housing costs

Reduction on the forecast for 2022 due to exceptional additional approved expenditure for 2022. However, this represents an increase on the 2022 budget due to an identified bulge in quinquennial works and revisions to the staffing structure to provide an in-house surveyor and an environmental manager for net zero from April 2023.

Staff costs:

Governance, Finance and Admin:

Further to the departure of Matthew Hall the Finance & Governance Departments have undergone restructuring process to upskill the teams. A similar review has taken place for the HR team to ensure the capacity to support the changes in the coming year, some of which is grant funded.

Parish and External Relations:

The increased costs reflect restructuring and improved capacity to support Safeguarding; Racial Justice and Communications relating to the new projects.

SF/TCT

Includes the anticipated funding from National Church as disclosed above.

Non-Staff costs

Information Services, Admin. and expenses:

Implementation costs in 2022 for new services from CofE and new equipment together with anticipated additional agency accounting support for the TCT project.

Office rent:

Includes allowance for increased energy costs in line with current expectations,

Innovation Expenditure:

Is the costs of the National Church Funded project,

SF/TCT costs: as per Transformation plan

The bulk of the TCT costs are included within the non-staff costs, however, it is expected to involve a mix of staff and consultancy, the split of which will be refined in due course.

Other Specific Central Costs

Cost of borrowing:

Fixed interest on the reducing balance of the £2m loan.

IT systems support:

Licences for new property software (the solution is as yet to be specified).

Other Fund Income and Expenditure

Relates to sundry grant-funded restricted funds.

DSF Capital Fund:

Reflects the major property work that is funded by a transfer from the Diocesan Stipends Capital Fund.