



# Gloucester DBF Draft budget 2022

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## I Background to 2022 budget

Our 2022 budget working group membership is as follows:-

Member	GDBF Role
Karen Czapiewski	Chair GDBF
Ben Preece Smith	Diocesan Secretary
Hilary Dawson	Archdeacon of Cheltenham
Phil Andrew	Archdeacon of Gloucester
David Thorpe	Director of Enterprise
Michael Storey	Resources Committee & Bishops Council
John Swanton	Resources Committee
Kevan Taylor	Bishops Council
Robert Bryant-Pearson	Resources Committee
Julie Ridgway	Head of Finance
Justyna Stawarz	Finance Officer

The 2022 budget exercise follows the established approach of previous years. It is important to note that the budget for 2021 was in essence a “standstill” budget, in light of the ongoing and indeterminable impact of CV-19. The 2021 budget saw a 0% increase to stipends, staff salaries and parish share.

At the time of drafting the 2022 budget, work is still ongoing in determining where the DBF staff team will be working as the CV-19 restrictions ease. Given our experience over the pandemic period, a number of staff are actively considering making “working from home” their norm. For the 2022 budget, no adjustments to the office rental costs in College Green have been assumed.

As the Deanery Strategic planning work is still in progress, of the 1 full time equivalent Incumbent saving for 2022, there remains 0.84 of this saving yet to be identified and so this has not been allocated to any Deanery. The clergy deployment information (as confirmed by our Archdeacons) can be summarised by Deanery as follows:-

Deanery	Stipendiary incumbent status	Stipendiary Curates	SSM Curates	HfD	SSM
	102.82	16.5	4.0	16.0	18.0
Cheltenham	19.50	4.00	0.00	0.00	2.00
Cirencester	11.00	2.00	1.00	4.00	1.00
Forest South	8.16	1.00	1.00	3.00	0.00
Glos City	12.50	4.00	0.00	0.00	1.00
North Cotswolds	11.00	3.00	2.00	3.00	2.00
Severn Vale	11.00	0.00	0.00	0.00	1.00
Stroud	11.00	1.50	0.00	3.00	3.00
Tewkesbury & Winchcombe	8.66	1.00	0.00	2.00	1.00
Wotton	10.00	0.00	0.00	1.00	7.00
DMPG remaining stipendiary saving for 2022	-0.84				
<b>Budgeted headcount for 2022 budgetting purposes</b>	<b>101.98</b>	<b>16.50</b>	<b>4.00</b>	<b>16.00</b>	<b>18.00</b>

In addition to the above ministry provision deployed across our worshipping communities, there are two full time Archdeacons, two full time ministers deployed at Centres of Mission with the Church Army and one full time Senior Interim Minister.

## 2 Underlying assumptions for 2022

The following are to be noted for the 2022 draft budget:-

- **Inflation rate** – an inflation rate of 2% has been assumed for the budgeted increase in clergy stipends & staff salaries. For 2021, no inflationary increase was applied to clergy stipends or staff salaries. 2% is the July 2021 CPI - *as published by the office of national statistics*.
- The Archbishops' Council, as Central Stipends Authority (CSA), has agreed that the National Stipend Benchmark (NSB) should be increased by 1% on the NSB for the current year. This means that the NSB for incumbents and clergy of incumbent status will increase to the level of **£27,270** from 1 April 2022.
- The Archbishops' Council has also agreed a 1% increase in the National Minimum Stipend (NMS) from 1<sup>st</sup> April 2022. The NMS will increase to **£25,518**. First appointment grants from April 2022 will be £2,552 as will the minimum resettlement grant (both of which are set at 10% of the NMS).
- **For GDBF**, a 2% increase would see an incumbent status stipend of **£27,735** from 1<sup>st</sup> April 2022.
- **Increase to national insurance** – the government have recently announced that with effect from 6 April 2022 to 5 April 2023 National Insurance contributions will increase by 1.25%. This will be spent on the NHS and social care in the UK. This national insurance increase has been included in the draft 2022 budget.
- **Parish share** - real strains around affordability of parish share are still being expressed in many places due to the impact of CV-19. Whilst a 2% increase to parish share has been budgeted for, a contingency figure has also been included to go some way to reflect the concerns being raised.
- **Clergy** – the draft 2022 budget includes a headcount for stipendiary posts of 101.98 at incumbent status & 16.5 for curates. Over recent years, recognising the DBF has seen a higher than budgeted number of vacancies for periods in excess of the “usual” pattern of 9 months, the draft 2022 budget includes a vacancy figure of 10 full-time stipendiary posts. This vacancy figure is consistent with the vacancy figure for 2021.
- **Clergy homes** – the draft budget for 2022 is based upon the realistic estimate provided by the Head of Property & Development. The figures reflect the actual and expected reduction in the number of clergy houses that the DBF own and are responsible for.

## 2 Underlying assumptions for 2022 (continued)

- **Parochial fee income** – the draft budget for 2022 includes a figure of £510k which is what we had originally anticipated for 2021. Our experience in 2020 saw parochial fee income significantly impacted by CV-19 with only £354k being received.
- **Investment income** - GDBF is able to adopt a total return on investment policy (approved by Bishops Council & effective from 1<sup>st</sup> January 2019). Within the draft 2022 budget a figure of £500k has been included. This is in addition to the expected distributions from CCLA of £900k. Further to recent discussions at the Diocesan Resources Committee, a recommendation to include an additional £500k release under total return has been included in the draft 2022 budget. This release is to go some way to address the disparity between the DBF's income and costs of clergy. Further consideration of a suitable release under total return will be brought to Bishops Council at a future meeting, with further work having been undertaken to compare results over recent years.

### 3 Parish share compared to costs of clergy

The table below summarises parish share income compared to our costs of clergy for 2016 onwards.

	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
	<b>Actual £'000</b>	<b>Actual £'000</b>	<b>Actual £'000</b>	<b>Actual £'000</b>	<b>Actual £'000</b>	<b>Original Budget £'000</b>	<b>Draft Budget £000</b>
Parish share	<u>6,296</u>	<u>6,333</u>	<u>6,512</u>	<u>6,804</u>	<u>6,520</u>	<u>6,940</u>	<u>7,079</u>
Clergy	4,723	4,771	4,745	5,066	5,011	5,032	5,186
Clergy housing	1,333	1,695	1,855	1,700	1,703	1,591	1,796
Ordinand support	61	120	199	111	181	184	224
Mission & Ministry	622	628	623	665	617	584	593
Costs of clergy	<u>6,739</u>	<u>7,214</u>	<u>7,422</u>	<u>7,542</u>	<u>7,512</u>	<u>7,391</u>	<u>7,799</u>
<b>Shortfall</b>	<b>443</b>	<b>881</b>	<b>910</b>	<b>738</b>	<b>992</b>	<b>451</b>	<b>720</b>
<b>Parish share contingency</b>	-	-	-	-	-	<b>420</b>	<b>452</b>
<b>Shortfall</b>	<b>443</b>	<b>881</b>	<b>910</b>	<b>738</b>	<b>992</b>	<b>871</b>	<b>1,172</b>

## 4 Financial Summary 2022

The presentation of the 2022 budget follows a similar layout to recent years, except for the amalgamation of certain cost centres in College Green, following the restructuring exercise from last autumn. This layout now mirrors the latest departmental structure of the GDBF. On the next page there is a detailed note to explain the significant changes on the 2021 budget.

<b>Summary</b>					
		<b>2020 Budget</b>	<b>2020 Actual</b>	<b>Annual Budget 2021</b>	<b>Draft Budget 2022</b>
		<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>INCOME</b>					
Parish Share		6,940,335	6,520,147	6,940,335	7,079,142
Parish share contingency		0	0	0	452,292
<b>Net parish share</b>		<b>6,940,335</b>	<b>6,520,147</b>	<b>6,940,335</b>	<b>6,626,850</b>
Other Income		2,313,879	1,836,462	2,313,879	2,363,120
		<b>9,254,214</b>	<b>8,356,609</b>	<b>9,254,214</b>	<b>8,989,969</b>
Additional allocation under total return					500,000
<b>Total Income</b>		<b>9,254,214</b>	<b>8,356,609</b>	<b>9,254,214</b>	<b>9,489,969</b>
<b>EXPENDITURE</b>					
Clergy		5,030,988	5,010,590	5,031,507	5,185,933
Ordinands Support		184,290	180,915	184,290	223,608
Clergy Housing		1,591,296	1,703,465	1,591,296	1,796,016
Mission & Ministry		648,266	617,377	584,443	593,278
<b>Cost of Clergy</b>		<b>7,454,840</b>	<b>7,512,346</b>	<b>7,391,536</b>	<b>7,798,835</b>
Shared Office Costs		449,164	483,058	325,804	312,239
People Pastoral and Safeguarding		199,356	154,395	313,326	346,731
Diocesan Secretariat		232,110	235,568	271,071	274,540
Finance, Stewardship & Giving		216,984	241,182	251,427	266,386
Communications		146,641	143,740	158,013	164,400
Legal & Professional		115,250	187,672	120,250	125,991
Churches		106,660	98,076	98,392	104,323
Education		87,815	61,361	100,757	109,932
Bishops Office		30,500	8,054	20,500	30,500
National Church		579,703	574,125	566,457	560,757
		<b>2,164,182</b>	<b>2,187,230</b>	<b>2,225,997</b>	<b>2,295,799</b>
<b>Budgeted (deficit)/surplus</b>		<b>(364,808)</b>	<b>(1,342,967)</b>	<b>(363,319)</b>	<b>(604,664)</b>

## 5 Significant changes on the 2021 budget

### Income

**Parish share** – the net position (after taking account of the contingency figure) is £6,627k – which would be an inflationary increase of 2% on the expected parish share contributions for 2021 (£6,520k).

**Other income** – increase of £49k on the budget for 2021 of £2,314k to £2,363k. (2% inflationary increase would equate to £2,360k)

- Increased DSF investment income of £100k, together with increased allocation under total return of £100k
- Reduction in rental income of £70k
- Reduction in donations and interest receivable (excluding CCLA returns) of £67k
- Reduction in other grants and parochial fee income £14k

### Expenditure

**Clergy – increase of £154k to £5,186k (2% inflationary increase on 2021 would equate to £5,133k)**

- The clergy headcount for 2022 is 101.98 incumbent status (2021: 104.6)
- Curate housing rental costs increase of £29k, whilst the curates' housing policy is to purchase as needs arise, in certain places the GDBF are renting and will continue to do for the duration of specific curacies.
- Curate houses rental income reduction £28k due to new policy
- Curates housing allowances reduction £32k – very few curates are taking advantage of this arrangement
- Increase in grant payments (ordination, resettlement, 1<sup>st</sup> appointment & removals) £18k

**Clergy housing – increase of £205k to £1,796k (2% inflationary increase on 2021 would equate to £1,623k, albeit actual costs for 2020 amounted to £1,703k)**

- The Head of Property & Development has undertaken a comprehensive review of the clergy housing budget, noting that for the quinquennial aspects, the strategy is to only undertake specific material defects only or items identified as failing within the next 5 years. The aim is to keep the expenditure for this budget heading in line with previous budget years with a 5% increase to match the industry predictions on materials & labour.
- Instead of continuing to engage an external surveyor to undertake the quinquennial work, the budget assumes this arrangement will end and enable a new internal appointment to be made. For a number of years, concerns around the capacity of the clergy housing team have been raised, so the aim is that this internal appointment will address these capacity issues. In purely financial terms, the cost implication is neutral.
- As part of their work on the draft 2022 budget, representatives from Gloucester DBF met with members of the Bath and Wells property team. Feedback from this meeting was that it was useful to triangulate their approach, which re-affirmed what Gloucester DBF have already put in place, recognising it is a significant element of our costs of clergy.



## Significant changes on the 2021 budget (ctd)

### **Ordinand support costs – increase of £39k to £224k (2% inflationary increase on 2021 would equate to £189k)**

- We are responsible for providing maintenance grants to our ordinands – these are means tested according to prescriptive guidance issued by Ministry Division. Budget for 2021/22 academic year is £59k higher the budget for 2020/21. The budgeted costs are dependent upon the individual financial circumstances of our ordinand intake. Whilst budgeted costs are significantly higher for 2022, we can pool the majority of such costs with all of our fellow DBFs – recognising the shared element to ordinand training. This is taken into account by Archbishops Council and we expect our higher maintenance grants costs to be reflected in a significantly lower pooling adjustment in future years. The pooling adjustment for 2022 is £20k lower than the equivalent budgeted figure for 2021.

### **Shared office costs – reduction of £14k**

- Church House parking costs budget £16k reduced to £1k due to anticipated hybrid working arrangements. Actual costs incurred in 2020 £6k. DBF have a set number of parking spaces in College Green & for the majority of the working week, these are sufficient for the relatively small number of staff working in College Green.
- Receptionist – 50% of the DBF's receptionist's salary costs - £17k are being allocated to safeguarding – as approved by Bishops Council in June 2021.
- IT costs – to enable remote working, additional IT software costs were incurred and these are anticipated to be ongoing. Increase on 2021 budget of £26k per annum.
- Reduction of £8k in other office costs

### **People, pastoral & safeguarding – increase of £34k to £347k (2% inflationary increase on 2021 would equate to £319k)**

- Additional safeguarding costs (approved by Bishops Council June 2021) net of new SLA with Sportily £47k per annum, plus 50% of receptionist post £17k.
- Removal of the new national guidance £30k

### **Communications – increase £6k to £164k (2% inflationary increase on 2021 would equate to £161k)**

- Staff costs above just a simple inflationary increase as two members of staff not yet at the top of their band.

### **Finance, Stewardship & Giving – increase £15k to £266k (2% increase on 2021 would equate to £256k)**

- Stewardship budget moved from Diocesan Secretariat £12k

### **Legal & professional – increase of £6k to £126k**

- Our experience during 2020 saw this category of expenditure amount to £187k against a budget of £115k. Whilst some of this additional expenditure can be attributed to CV-19, the 2022 budget has been drafted to acknowledge the distinct areas of expenditure where additional budget is most needed.
- The parish support category budget has been increased from £30k to £35k – actual expenditure on this category during 2020 amounted to £49k
- The budgeted grant from the Church Commissioners towards our Registrar costs is not yet known, so has been included at the same amount as actually received in 2020 - £47k.

## 6 Summary of other income against support costs

The table below is a summary of other income against our support costs.

	<b>2017 Actual £'000</b>	<b>2018 Actual £'000</b>	<b>2019 Actual £'000</b>	<b>2020 Actual £'000</b>	<b>2021 Budget £'000</b>	<b>2022 Draft Budget £'000</b>
Other income	<u>1,884</u>	<u>1,972</u>	<u>2,117</u>	<u>1,836</u>	<u>2,314</u>	<u>2,363</u>
College Green costs	1,351	1,663	1,542	1,613	1,660	1,735
National costs	540	560	585	574	566	561
(Deficit)/surplus	(77)	(251)	(10)	(351)	88	67
Other income contingency	-	-	-	-	214	-
(Deficit)/surplus	(77)	(251)	(10)	(351)	(126)	67

The other income contingency relates to the expected shortfall against budget for 2021.

## 7 Other income

Other income comprises the following distinct categories:-

	2020 Budget	2020 Actual	Annual Budget 2021	Draft Budget 2022
	£	£	£	£
<b>Rental Income Totals</b>	<i>(209,000)</i>	<i>(150,081)</i>	<b>(209,000)</b>	<b>(139,000)</b>
<b>Ministry Income Totals</b>	<i>(5,100)</i>	<i>(3,777)</i>	<b>(5,100)</b>	<b>(5,373)</b>
<b>General Income Totals</b>	<i>(190,659)</i>	<i>(164,865)</i>	<b>(190,659)</b>	<b>(124,000)</b>
<b>Investment &amp; Fee Income Totals</b>	<i>(1,805,120)</i>	<i>(1,413,456)</i>	<b>(1,805,120)</b>	<b>(1,994,747)</b>
<b>EIG Surplus Totals</b>	<i>(104,000)</i>	<i>(103,500)</i>	<b>(104,000)</b>	<b>(100,000)</b>
<b>Total other income</b>	<i>(2,313,879)</i>	<i>(1,836,462)</i>	<b>(2,313,879)</b>	<b>(2,363,120)</b>

Significant changes:-

- Rental income – reduction of £70k. This is due to a reduced number of properties being rented out due to surplus clergy housing disposal programme. Also given the changes to tenancies, we have had to adopt a very cautious approach to putting tenancies in place during a vacancy period.
- Other interest & general income – reduction of £67k. This relates to reductions in other interest receivable and loan interest receivable from parishes of £14k (majority of loans are now interest free); reduction of £20k in interest expected from Good & Faithful Servant Limited; £33k reduction in donations and other sundry as this has been our experience over recent years.
- Investment income & parochial fee income – increase £190k. This comprises increased DSF investment income of £100k, together with increased allocation under total return of £100k; reduction of £10k in the net position on parochial fee income and other grants.
- Allchurches Trust – reduction of £4k which is in line with what we were advised a few years ago.

## 8 Diocesan Stipends Fund

This is one of the permanent endowment funds of the GDBF and represents ancient endowments and other gifts and legacies. The Fund is governed principally by the Diocesan Stipends Funds Measure 1953 and the Endowment and Glebe Measure 1976, as amended. The Fund is mainly invested in CBF managed funds. Income generated from the Fund must be used to fund stipends. The Fund is expendable under certain circumstances.

For the year ended 31<sup>st</sup> December 2020, the following is noted:-

	Trust for investment	Unapplied Total Return	Total endowment
As at 1 <sup>st</sup> January 2020:	£'000	£'000	£'000
Base value of the permanent endowment	9,065	-	9,065
Unapplied total return	-	14,029	14,029
<b>Total</b>	<b>9,065</b>	<b>14,029</b>	<b>23,094</b>
<b>Movements in the year:</b>			
Investment returns – income received	-	708	708
Unrealised gains for year	-	1,950	1,950
Unapplied total return allocated to income in the year	-	(1,108)	(1,108)
Add indexation to base endowment	109	(109)	-
<b>Net movements in the year</b>	<b>109</b>	<b>1,441</b>	<b>1,550</b>
<b>As at 31<sup>st</sup> December 2020:</b>			
Base value of the permanent endowment	9,174	-	9,174
Unapplied total return	-	15,470	15,470
<b>Valuation at 31<sup>st</sup> December 2020</b>	<b>9,174</b>	<b>15,470</b>	<b>24,644</b>

Since 1<sup>st</sup> January 2021, a further £800k has been added to the CCLA DSF pot from certain house sales proceeds. Distributions from CCLA remain ahead of the pre CV-19 figures and the 30<sup>th</sup> June 2021 the market value of this fund is 2,184.72p per share, compared to 2,048.73 at 31<sup>st</sup> December 2020. This increase in the market value per share will hopefully see further unrealised gains arising, with the final position to 31<sup>st</sup> December 2021 being known in early January 2022.

To date, the GDBF has simply included this “total return” within the general GDBF income and following discussions at our budget working group, it has been recommended that we explore looking more strategically as to how we might want to make use of such a total return. From a limited review of other DBFs who have adopted total return, we know that some determine how much they are going to apply towards specific aspects of their activities. Some examples include allocating towards common fund (parish share) or specific strategic priorities in a DBF. Following discussions at our recent Diocesan Resources Committee meeting, it was recommended that a further £500k be released under total return in the 2022 budget.