

DIOCESAN FINANCES - an analysis

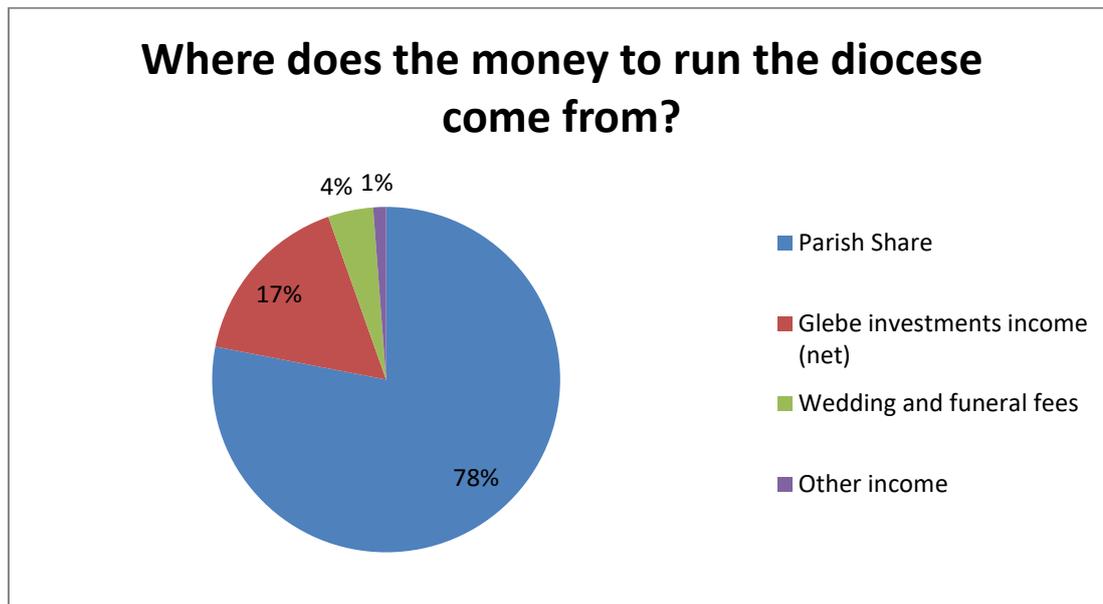
Theological reflections¹

1. The good news of Christ, as He demonstrated in His own life and ministry on earth, is concerned with personal transformation *and* the transformation of the whole world. The kingdom of God instituted by Christ offers a radically new order of life – new people, new community, a renewed creation, love, peace, justice, a kingdom which subverts the values of the world. And, through Christ, this kingdom *is coming* into being, not merely a future event. The gospel establishes new life now. By feeding on this theology of the kingdom, the Church can fully embrace the cosmic scope of the mission of God and its immediate relevance and passion. Thus, the Church can be inspired to look beyond itself and seek to change the world by offering the hope of the gospel of Christ to all ages and sectors of the population, to every community, to the whole of society, and to all of creation. And as the Church's mission is founded on Jesus, sent by the Father in the power of the Spirit, so the resourcing of that mission must also reflect Jesus' own lifestyle – passionate commitment to God the Father, generous sacrifice for others, concern for the poor.

2. We do not have all things in common as Christians in the Diocese of Oxford in the way described by Acts **2: 44-45** – *All who believed were together and had all things in common; they would sell their possessions and goods and distribute the proceeds to all, as any had need.* However, we do seek to share the costs of ministry and ministerial support on an equitable basis, ensuring that poorer parishes are able to receive ministry as they have need rather than what they can afford, although we may only achieve this imperfectly. On a national basis, costs of ministry are also shared between Dioceses as they can afford them rather than according to need, also imperfectly. This element of subsidisation for areas which are deprived or face challenge, and the principle of cost sharing is consistent with St Paul's teachings and the practices of the early church, even if we only achieve it imperfectly.

¹ Based on 'Resourcing Mission for a 21st Century Church' (GS Misc 810)

3. Where the money comes from



Historic funds

4. The Oxford Diocese is blessed with significant endowment funds in its Glebe assets. These assets represent land given to support clergy in particular parishes over past centuries: during the last century these were allocated instead to the Diocese to be better managed and to enable the same stipend to be paid to clergy across the Diocese, irrespective of the amount of glebe with which their parish or parishes were or were not endowed. Our current glebe investments - £130.7 million as at 31 December 2018 – include some of those original assets, as holdings of land, and investments acquired with the proceeds of disposal of glebe land. The income from those assets can only be used to support the costs of stipends, and the income is complemented by funds raised through parish share.

5. God has given his Church resources to steward wisely. The resources held at diocesan level are spread very unevenly between dioceses. We have significant investments because of history (a higher amount of land and other glebe investments in this diocese than in most others) and in part through wise stewardship of the assets (there has been growth from £14.7M to £45.4M in the period 2000-17 in the value of the financial investments we hold, excluding the introduction of cash as new investments from strategic sales). As at 31 December 2018, diocesan investments divided by population for Oxford Diocese came to £54.60, compared to Durham at £9.88, Birmingham at £10.60 and Blackburn at £14.70, though it is only fair to note that we are not the wealthiest: the equivalent for Lincoln was £83.90.

6. A proportion of our investments (£36.4M as at 31 December 2018) are now held in agricultural land or other property investments: most of this delivers a low financial return (except when development opportunities arise on agricultural land). The social investment working group set up as part of Common Vision is considering whether a part of our property

holdings can be used for social investment and will report in due course. There is a gradual rebalancing towards financial investments as land is sold for development, at which point the proceeds are applied to financial (usually equity) investments.

The adoption of Total Return Accounting

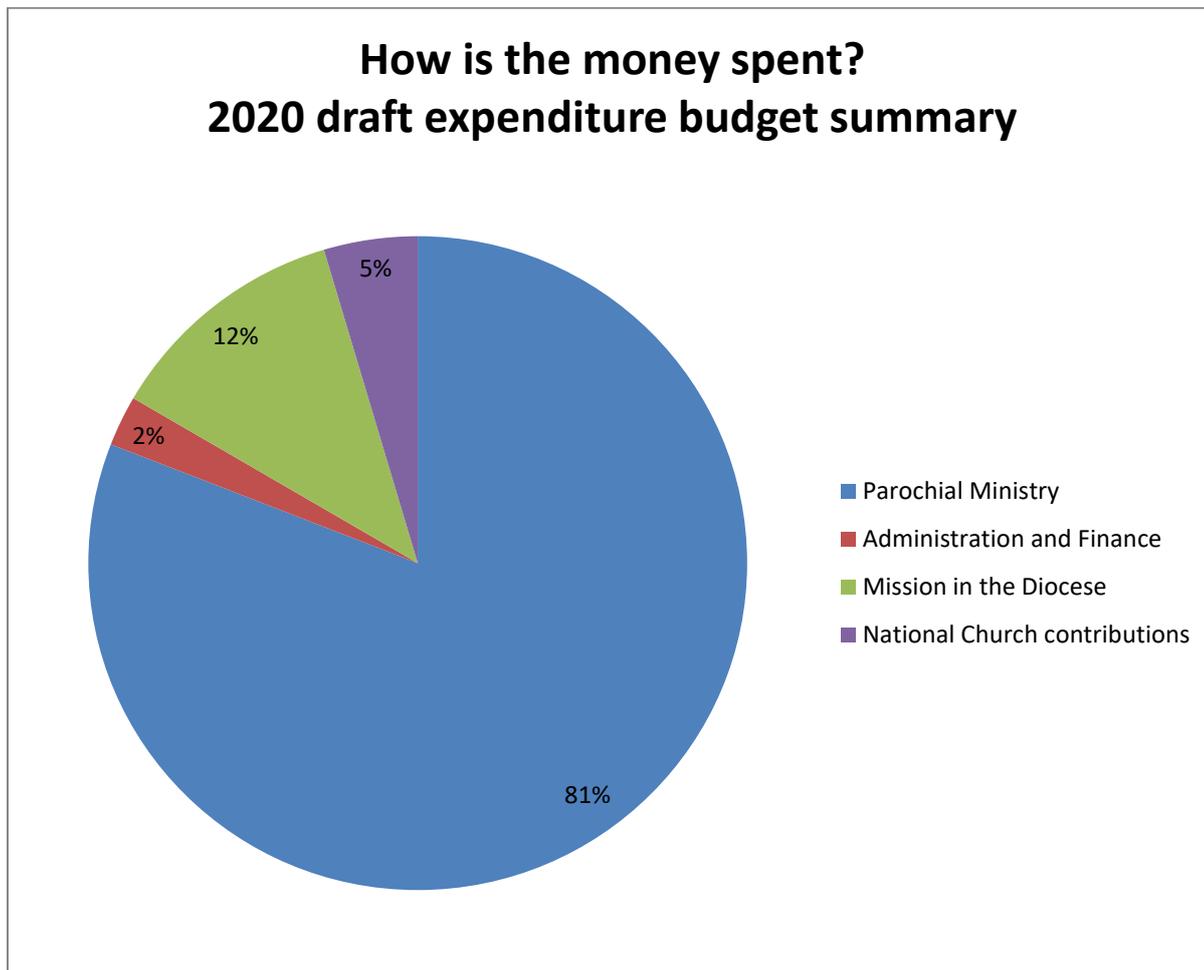
7. The adoption of total return accounting in 2018 allowed the Diocese to treat some of the considerable capital gains which had been realised or accumulated on its glebe assets as income. Bishop's Council took a prudent view of what should be treated as income but, over and above support for stipends at the current level adjusted for inflation, as agreed by Bishop's Council, we expect to be able to release additional amounts to income over the three years 2019-21 totalling around £7.5 million, which are committed to supporting our diocesan strategy, Common Vision. Some – approximately £3 million – will be available to fund projects initiated at parish or deanery level through the Development Fund, while the rest - approximately £4.5 million - will be used to fund strategic projects chosen by Bishop's Council to support the mission of the diocese. This approach deliberately ensures that the support from glebe funds to offset parish share, on which parishes rely, is preserved and indeed increased annually by inflation. Bishop's Council will be considering next Spring how much could be made available in the 2021-23 triennium and Diocesan Synod members may wish to offer their views to members of Bishop's Council to inform the assumptions/ level of return taken. Please see Annex 2 if you would like to see more of the detail of total return accounting.

Other sources of Funds

8. By far the most significant source of Diocesan income are the donations from parishes and benefices as Parish Share, which in 2018 amounted to £19.0 million, net of share rebates and discounts. Parish Share is calculated as the amount requested, via deaneries, from parishes and benefices to fund the remainder of the Diocesan budgeted expenditure for the year ahead not provided from glebe income or other sources.

9. The Diocesan portion of Parochial Fees (£1M) is the third significant element of Diocesan income, determined essentially by the numbers of weddings and funerals that take place across the Diocese, though this is refunded to parishes in a subsequent year by offset against the parish share that they would otherwise be asked to pay.

10. How are our resources deployed?



Where are decisions made?

11. The key decision-making bodies are Diocesan Synod and Bishop's Council, which it elects. As is normal in any large/ complex structure, committees have an important role in probing, in detail, proposals with budgetary implications and determining what expenditure to recommend to Bishop's Council, and where savings need to be made. This is principally done by the Planning and Budget Sub-Committee, which I chair, which keeps all diocesan finances actively under review and scrutinises robustly any proposal for diocesan expenditure.

12. The 2018 accounts show that **ministry and ministry-related costs** came to **£18.9 million**, by far the majority of our expenditure. Reductions or increases in clergy numbers are proposed in the first instance by deaneries and the Archdeaconry Mission and Pastoral Committees oversee and approve this process. On a short and medium term basis, these costs are locked in as it is difficult to move clergy from one post to another unless they want to move.

Common Vision Expenditure

13. The temporary and strategic nature of Common Vision expenditure means that direct control by Bishop's Council is appropriate. Several appointments provide seed-corn funding for initiatives, many of which will hopefully become longer term clergy or lay appointments, funded by deaneries as a consequence of growth in existing or new congregations and with the support and oversight of Archdeaconry Mission and Pastoral Committees.

Strategic Development Fund bid for New Congregations

14. Our plans for Common Vision include additional funds that we hope to receive as a grant from the Strategic Development Fund ('SDF') of the Archbishops' Council. The national Church is committed to making grants to support mission, particularly in urban areas of deprivation or where the proportion of churchgoing is low, wherever they are and however wealthy the relevant diocese, and our bid (submitted in October 2019) has been focused on these. Our bid is on the basis of a matched diocesan contribution from Common Vision funds.

Generosity within and beyond the diocese

15. Supporting others who have less than ourselves is an important witness of our Christian faith and an acknowledgement OF the generosity of God to us. This happens within the Diocese as deaneries and parishes support each other in many ways including the Parish Share allocation, under which all diocesan costs beyond the costs of parish ministry are allocated through a formula (last reviewed earlier this year) which recognises ability to pay. If the motion from the Cowley deanery is agreed, further consideration would be given to the extent of mutual support *within* the diocese.

16. As regards mutual support *beyond* the diocese, together with a number of other Dioceses, Oxford Diocese is blessed with significant endowment funds in its Glebe assets and Bishop's Council and others are questioning how we might acknowledge this inequality and give some support to other Dioceses (which could include Dioceses beyond the UK) who are not so blessed. The adoption of total return accounting makes this possible by identifying an amount of funds, the Unapplied Total Return "pot", which could, after due consideration, be the source of such support as part of or alongside our Common Vision expenditure. By our calculations the value of our investments is the second highest nationally (after London) and one of the top 10 if calculated per capita (with Lincoln being the highest).

17. Generosity is of course also expressed in non-financial ways. The time and gifts offered at local level to the service of the Church is incalculable. Similarly, many also offer their time and expertise at diocesan level. The diocese also seeks to share its expertise nationally, both in support and leadership wherever appropriate.

The Diocesan budget

18. The annual Diocesan budget sets out the spending plans for each area of activity in the Diocese reflecting the costs of ministry deployed in the deaneries and the teams who support them and their parishes, as well as our contributions to the National Church's mission and other statutory and legal responsibilities. This is principally funded by Parish Share, glebe income and parochial fees (as previously discussed).

What we spend: ministry costs, ministerial support, mission support and related costs

Parochial ministry

19. By far the largest area of expenditure is that of parochial ministry, including stipends of clergy and curates, and their pension contributions and National Insurance. This totals £13.4M or more than half of Diocesan spend.

20. The deployment of clergy is delegated to the Archdeaconry Mission and Pastoral committees in consultation with the parishes, deaneries and Archdeacons. The number of clergy in each deanery is closely linked to the amount of Parish Share requested from the deanery under the current Parish Share Scheme and so there is a high degree of subsidiarity in our systems of deployment, with the number of parish clergy being largely determined by deaneries through deanery synods with approval from the Archdeaconry Mission and Pastoral Committees.

21. The number of curates in training is a matter for decision annually at diocesan level by our Bishops and archdeacons and takes into account the number of ordinands completing their training, the need to offer places for continued theological training and the opportunities for placements.

22. The current costs of each stipendiary minister are as follows:

Costs per Minister 2020

Stipends, NI and Pension contributions	39,956
Housing costs	12,283
Ordinand and Curate training costs	13,513
Parochial Ministry support	4,581
Diocesan Mission Strategy	6,126
Services to parishes and Governance	2,893
National Church costs	3,604
Fees and other income	(4,262)
Total weighted cost per minister	78,694
Glebe income support per minister	(13,101)

23. Related to the number of stipendiary clergy are areas of expenditure which directly support the clergy. These include grants on ordination and subsequent appointment and removal costs, clergy training, the cost of the Buildings team in providing and maintaining clergy housing, the Human Resources and Safeguarding team in providing HR, payroll, training and support to clergy (as well as more widely across the Diocese).

Buildings

24. Our clergy housing and buildings expenditure (currently £3.7m), is overseen by the Buildings Committee (as well as the Planning and Budget sub-committee and Bishop's Council) which has representation from all archdeaconries and input from the Archdeacons. The level of expenditure is directly related to the number of clergy in post and also to the rate at which clergy move in and out of clergy houses. Costs include repairs and refurbishments of clergy housing, for insurance, for Council Tax and water rates, defrayed wherever possible by income generated from letting vacant properties (consequently our budgets normally rely on being able to let properties during vacancies).

Mission in the Diocese

Department of Mission

25. The second largest budget linked to expenditure at Church House is the Department of Mission (approximately £2m), 56% of costs being staff costs. Expenditure covers a range of activities which again can broadly be defined as ministerial support and which are overseen by the Board of Mission. The largest team, Mission through Ministry (£1.05M), encompasses the work of the Directors of Ordinands, ordinand maintenance grants, the initial training of curates and lay ministers, and an ongoing education programme for clergy. The Making Disciples team (£490K) provides support for parishes through the work of the Parish Development Advisers, Generous Giving and the Parish Giving Scheme and the Youth and Children's Advisers, and the Mission in the World team (£191K) is concerned with our role in the wider world (including on climate change) and how to facilitate change for the better.

Communications

26. The Communications team is both reactive and proactive. The team provides support and advice in different situations to protect and maintain the reputation of the Diocese and its parishes. They also promote the work of the Diocese through a range of social media and the Diocesan website and publications such as *Pathways*.

Grants

27. A number of grants are paid each year, the main one being to the Board of Education and other grants are paid to linked organisations including chaplaincy grants for Reading and Brookes

Universities, PACT (Parents and Children Together), Oxford Diocesan Council for the Deaf and Partnership in World Mission which maintains and develops our relationship with our link Dioceses in South Africa, India and Sweden. A third tranche of grants are available to parishes for New Projects or allocated by the Archdeacons.

Administration and Finance

28. Parishes are able to access support in a number of areas including through the Diocesan Advisory Committee team, the Diocesan Trustees and the Mission and Pastoral Committee. The resources provided to these teams are generally driven by the volume of work generated by parishes and deaneries combined with affordability.

29. Some central costs, including some of the work of the Finance and HR teams, are necessary to support the volume of work generated by other teams and thus fall broadly within the definition of ministerial support, and much of this cost reflects legal and regulatory requirements. Facilities costs and ICT costs are more directly related to the number of staff working within CHO and the area offices. Governance costs are principally statutory costs or required for good governance. These include legal costs and the Chancellor's fees; the audit fee; and costs of holding Diocesan Synod meetings.

National Church Costs

30. These are approved by General Synod, on which the Diocese is well represented, the Archbishops' Council Finance Committee, one of whose members is from this Diocese, and by the Inter-Diocesan Finance Forum, to which we always send representatives.

31. We make contributions to the National Church in two main areas, both of which essentially reflect ministry support at a national level. One area of contribution covers the theological training of ordinands nationally while the second covers the costs of the National Church, pensions contributions for certain mission agency staff, the clergy retirement housing grant and other grants.

32. The amounts requested from the Oxford Diocese by the National Church are approved by General Synod are allocated by the National Church by an apportionment process and as a wealthy Diocese we pay 6.25% of the total national costs in these areas. This percentage is calculated from information, including income data, submitted to the National Church annually – and thus seeks to reflect what we can afford.

Conclusion

33. All diocesan expenditure supports, directly or indirectly, the mission of the Church in the Oxford Diocese. This might be at parish or deanery level as in the case of stipendiary ministry, or

Bishop's Council or its delegated committees and boards. We take very seriously indeed that the majority of diocesan expenditure is funded by Parish Share and therefore ensure that robust systems are in place to review and control it, with a commitment to accountability and transparency. We seek to be as lean as is consistent with responding to what will better enable us to be a more Christlike Church for the sake of God's world in this Diocese. We are happy to respond to queries, suggestions and other input and are preparing materials, in print and web form, which we hope will complement this paper in explaining the work of the diocese and our finances.

John Tattersall
Chair of the Diocesan Board of Finance

October 2019

1a) 2020 Draft Revenue Budget summary

	Draft Budget 2020 £000	% of Expenditure
Parochial Ministry	20,033	81%
Administration & Finance	618	2%
Mission in the Diocese	2,968	12%
National Church contributions	1,138	5%
Total Expenditure	24,757	100%
Glebe and Fees income	(5,246)	
Share net of allowance for rebates and under collection	(19,515)	
Surplus / (Deficit)	4	

2) Total Return Accounting

a) Prior to the adoption of total return, we could only spend the income (which has to be spent on stipends) of our glebe investments. However, the adoption of total return permits the diocese to invest the listed investments element of the permanent endowment glebe funds to maximise total return (capital growth and dividend income) and apply an appropriate portion of the unapplied total return to income each year. The total return approach was adopted from 1 January 2018 and, as agreed, 7% of the value of the total glebe listed investments portfolio at that date, i.e. £6,223K in 2018, was transferred to income in the year. The choice of 7% reflected the average total return in excess of inflation in recent years.

b) The initial value for implementing total return was determined at 31 December 2000 and valued at £14.7M. This was the amount held in listed investments at that date. The unapplied total return (UTR) was calculated as at 1 January 2018 at £14.9M as the increase above inflation in the value of these investments since the initial valuation, adjusted for the introduction of new investments in the portfolio following significant sales of glebe land which have taken place since 2008. This is the amount available for drawing as income and is the source of funds for Common Vision expenditure. In the calculation inflation was defined by the changes in the Retail Price Index (RPI) during the period.

c) The diocese's glebe financial investments amounted at the end of June 2019 to £97.5M (£88.7M at 31 December 2018). This arises as follows:

Starting value in December 2000 - £14.7M
 New money added since then - £43.5M (from sales of land)
 Capital appreciation in value of investments - £39.3M

d) The following table sets out the anticipated financial position at the end of December 2020 based on an RPI of 3% and total returns of 6%, 8% and 10%. The value of the portfolio over six months to 30 June 2019 had increased by 9.8%, but markets have dipped since then and are strongly influenced by the likely outturn on Brexit negotiations as well as the current trade War between China and the USA.

e) Using these parameters the value of the UTR pot at 31 December 2020 would be as follows:

Total return 6% - £735,000
 Total return 8% - £4,406,000
 Total return 10% - £8,145,000
 [The calculations are available on request to Alison Jestic]

f) When Bishop's Council approved the adoption of total return in October 2017, the withdrawal limit and inflation factor were set, and it was agreed that there would be a review after three years i.e. in 2020 to determine the position for 2021 onwards. The review which will take place during 2020 will need to consider what the appropriate future withdrawal rate and the inflation factor might be in the context of past experience and current and anticipated investment market conditions, all of which potentially have a substantial influence on the size of the UTR and therefore the availability of funds.

g) The legal position, agreed with the Diocesan Registrars, is as follows. All expenditure from total return monies would be subject to the restriction on expenditure of glebe income, namely that it must be spent on clergy stipends or related costs in this diocese. Also, to be compliant with ODBF's charitable Objects, any expenditure is restricted to training, funding and other support for ministry (effectively stipend costs). Given that clergy costs far exceed glebe income even on the total return basis, we are not in breach of the glebe income restriction, but the technical legal position for such expenditure (at present our Common Vision expenditure), is that such expenditure is being drawn from monies collected through parish share. The net effect on diocesan finances is nevertheless merely a reduction in Unapplied Total Return.

END