

**DIOCESES COMMISSION: THE DIOCESES OF BRADFORD, RIPON AND LEEDS AND  
WAKEFIELD REORGANISATION SCHEME**

**An estimate of the financial effect of the proposals**

**Contents**

	Page
1. Introduction	1
2. Summary	2
3. Estimate of on-going savings and additional costs that could arise from the reorganisation scheme	4
4. Estimated costs arising from the scheme and its implementation	8
5. Risk considerations	14
6. Conclusion	15
7. Annex 1: Summary of financial statements	17
8. Annex 2: Transfer of parishes to neighbouring dioceses	20



## 1. Introduction

- 1.1 The Dioceses Commission is required<sup>1</sup>, when preparing a draft reorganisation scheme, to provide “a detailed estimate of the financial effect of the proposals” (the financial estimate). This document should be read alongside the Dioceses of Bradford, Ripon and Leeds and Wakefield Reorganisation Scheme (the scheme).
- 1.2 The scheme sets the framework for the new diocese. If it is approved, most decisions on *how* the scheme is implemented will be made locally. Many of these decisions will have financial implications and / or consequences. So **the Dioceses Commission has necessarily made assumptions in compiling our estimate of the financial effect of the proposals**. Unless otherwise stated, estimated costs and savings that will ultimately flow from the implementation of the scheme are stated at 2013 levels<sup>2</sup>. It is also stated which part of the Church is expected to be responsible for the costs or to which savings would legally accrue.
- 1.3 The Dioceses Commission expects that the reorganisation scheme will result in on-going annual savings for the diocese and the Church of England more widely. When these savings will begin to accrue and the extent of them will depend on several factors and decisions yet to be taken, mostly at local level. It will be for the new diocese to determine how to use the savings accruing to it in furtherance of its mission and/or reduce parish share requests, thus freeing up resources for parishes to direct to their local mission.
- 1.4 The estimate shows that significant one-off costs will legally accrue to the dioceses whereas the Church Commissioners should obtain a net one-off receipt which would benefit the Church of England as a whole via their distributions. The Church Commissioners have indicated their willingness “to provide some one off investment in order to facilitate the successful implementation of the reorganisation [noting that] such support would be offered in a way which does not undermine the transparency of cost to the dioceses in question and alongside their own financial commitment to the restructuring process”<sup>3</sup>.
- 1.5 The Dioceses Commission welcomes this and is grateful for the financial assistance already provided by the Church Commissioners towards the costs of the Programme Manager and preparatory work commissioned by the three dioceses that is being carried out by PwC and KPMG. The Dioceses Commission wishes to encourage and support conversations between the Church Commissioners and diocesan leaders on potential further financial assistance from the Church Commissioners towards the transition costs necessary to establish the new diocese of Leeds successfully, including suffragan bishops’ housing.
- 1.6 For the Church as a whole it is estimated that annual savings totalling between £0.7 million and £0.8 million are achievable. One-off net implementation costs are estimated at up to £1.4 million (although they could be less than this if transition costs, including suffragan bishops’ housing are less than our most prudent estimate).
- 1.7 An aggregation of the existing dioceses’ financial statements is at **Annex 1** to illustrate how the financial statements of the new diocese might look. Combining the three existing dioceses’ 2013 budgets would result in an organisation with annual income and expenditure of around £23 million.
- 1.8 The Dioceses Commission is grateful for the assistance of the diocesan secretaries and senior finance staff in the existing dioceses and a range of staff within the National Church Institutions in the production of this document. However, the assumptions used and estimates made are those of the Dioceses Commission.

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<sup>1</sup> by the Dioceses, Pastoral and Mission Measure 2007, section 6(2).

<sup>2</sup> It is recognised that the changes which would flow from the scheme could take two or more years to implement, but inflation is likely to increase estimated costs and savings in a broadly consistent manner.

<sup>3</sup> First indicated in their response to the Yorkshire Review, May 2011.

## 2. Summary

### (i) Establishing the new diocese of Leeds

- 2.1 The requirement to produce this financial estimate has inevitably required the Dioceses Commission to look at a whole range of issues, many of which will rightly be the responsibility of the new diocese and those working towards its formation. Nevertheless the Commission has had to make assumptions of how these aspects might be developed but these should be regarded as having illustrative status only.
- 2.2 In headline terms our estimate of the one-off costs and receipts that might arise from the implementation of the scheme, the ultimate savings flowing from it and the resulting pay-back period are set out in table 1 below. From the diocesan perspective, the ultimate net annual savings are estimated at between 2.4% and 3.2% of the dioceses' aggregate 2013 budgets and between 3.6% and 4.7% of parish share to be requested in 2013.

<b>Table 1: Summary of estimated financial effects of the scheme by responsible body</b>				
Description	Dioceses £m	Church Commissioners £m	Dioceses/Church Commissioners £m	Total £m
One-off cost/ (receipt)	0.7	(1.6)	Between 0 and 2.3	Between (0.9) and 1.4
<b>Eventual annual savings</b>	<b>Between 0.6 and 0.7</b>	<b>0.1</b>	<b>n/a</b>	<b>Between 0.7 and 0.8</b>
Pay back period (months)	Between 12 and 15	n/a	n/a	Up to 26
Notes: 1. Excluding the estimated costs of less than £0.1 million to be borne by the Archbishops' Council. 2. This table contains rounding differences.				

- 2.3 The table shows the organisation to which costs and savings would legally accrue. The 'Dioceses/Church Commissioners' column represents the contingency element for additional transition costs of up to £1.0 million and the estimated capital requirement of up to £1.3 million for housing for the new suffragan bishops. Building on the Church Commissioners' statement of willingness to provide some one-off investment towards facilitating the successful establishment of the new diocese, the Dioceses Commission wishes to encourage and support discussion between the Church Commissioners and diocesan leaders to determine how this might be achieved.
- 2.4 Actual costs in many cases will depend on subsequent decisions made by those in or working towards the formation of the new diocese. The most significant assumptions which affect this estimate which the Dioceses Commission has made are considered to be:
- An illustrative estimate of the costs of transition, including designing and implementing new systems, of £0.5 million. But, given the inevitable difficulty of accurately forecasting the financial implications of a project of this kind and the likely costs of new IT systems etc., the Commission judges it prudent to allow for a contingency element of an additional £1.0 million.
  - Office and working costs for the area bishops will be in line with the national average.
  - The capital sums to be invested in and realised from bishops' and archdeacons' housing.
  - The capital cost of any new office accommodation required will be no greater than the capital currently invested in the current arrangements for the three dioceses and that aggregate office running costs will eventually be reduced by one-third.
  - Compensation payable to clergy office holders whose offices are abolished will be payable for one year (given the likelihood of those below retiring age obtaining another office).

- The extent of any reduction (illustrative assumption 10% over five years) in salary costs of administrative staff supporting the work of the diocesan office(s) and bishops determined by the new diocese as it identifies and exploits opportunities for more efficient and effective working.
- Any redundancy payments needed to facilitate restructuring (illustrative estimate £100,000).
- The extent of any additional financial assistance from the Church Commissioners towards transitional costs of establishing the new diocese, including any new housing the diocese decides is required for its new suffragan bishops.

2.5 It is recognised that, in the light of decisions yet to be taken, mostly at local level, on how the scheme might be implemented, the eventual costs and savings could be materially different from those contained in this estimate. However, the Dioceses Commission expects that the overall result of the scheme will be a financial gain for the new diocese, its parishes and the Commissioners. The Dioceses Commission understands that the estimated payback periods, even if the dioceses decided it was necessary to spend the entire contingency for transition costs and the maximum estimate for housing for its new suffragan bishops, compare very favourably with typical acceptable payback periods (i.e. the length of time for accumulated net savings to exceed net initial costs) for public sector projects.

*.(ii) Transfer of parishes into neighbouring dioceses*

2.6 The scheme would transfer several parishes currently in the dioceses of Bradford and Wakefield into the dioceses of Blackburn and Sheffield. The estimated financial effect of these transfers compared with the current situation from a parish perspective is set out in **Annex 2**.

2.7 Until the new diocese agrees its approach to parish share, it is not possible to estimate the differences between the sum requested by the new diocese and the dioceses into which it is proposed certain parishes would transfer. In addition, the extent of any changes in parish share requests will vary over time due to the different average increases in dioceses' budgeted parish share requests, changes in data or approach (if any). The purely **illustrative** impact on individual parishes' parish share is set out in table 9 at the start of **Annex 2** of this report. Thus **the tentative and illustrative nature of these comparisons cannot be overemphasised**.

2.8 The Dioceses Commission wishes to **continue to encourage and support conversations between representatives of parishes which the scheme would transfer to neighbouring dioceses and those dioceses prior to the scheme coming into effect to find ways in which the financial and mission aspects of the transfer would best be managed and any transitional arrangements that might be made**.

### 3. Estimate of on-going savings and additional costs that could arise from the reorganisation scheme

- 3.1 This section sets out the Dioceses Commission's estimate of the ultimate net on-going savings and additional costs that the Dioceses Commission estimates might be achieved once the scheme has been fully implemented on the assumptions it has made. It should be stressed that the estimates and assumptions used are not an attempt to pre-judge or influence decisions that will be quite rightly made at local level at the appropriate time, taking financial and non-financial factors into account. **Lines in italics are particularly dependent on decisions to be made within the new diocese.**

Table 2: Summary of estimated ultimate annual savings / (additional costs) arising from the implementation of the scheme					
Paragraph	Description	Dioceses £000s	Archbishops ' Council £000	Church Commissioners £000	Total £000s
3.2.2.	Senior clergy ministry funding	343	-	-	343
3.3.2	Maintenance costs for senior clergy housing no longer required	9	-	100	109
3.4.1	<i>New senior clergy housing: maintenance</i>	(33)	-	-	(33)
3.5.1	Fewer diocesan bishops' appointments	4	1	1	6
3.6.2	<i>Clergy stipends</i>	<i>Between 0 and (180)</i>	-	-	<i>Between 0 and (180)</i>
3.8.1	Registrars' retainers	9	-	6	15
3.9.1	<i>Diocesan office accommodation</i>	<i>100</i>	-	-	<i>100</i>
3.10.2	<i>Diocesan staff</i>	<i>350</i>	-	-	<i>350</i>
3.11.1	Parish transfers	(50)	-	-	(50)
		Between 552 and 732	1	107	Between 660 and 840

#### 3.2 Senior clergy ministry funding

- 3.2.1 Since the start of 2011, bishops' stipend and office and working costs have been funded from Church Commissioners' senior clergy ministry block grants to dioceses, the level of which is independent of the number of bishops in a diocese. The Church Commissioners have confirmed that "*in line with their principle of the new funding system, the Commissioners' funding in the proposed new diocese will remain stable irrespective of the number of bishops*". So any savings in bishops' ministry costs would accrue to the diocese.
- 3.2.2 As the average ministry costs of suffragan bishops are lower than those for diocesan bishops, the proposed changes will potentially release an additional sum of up to £297,000<sup>4</sup> p.a.<sup>5</sup> for the new diocese to apply towards the ministry costs of its bishops and archdeacons. In addition, the dissolution of the Archdeaconry of Craven will result in an annual saving of around £46,000 to the diocese.

- Overall saving to the diocese in respect of funding required for bishops' and archdeacons' stipend and office and working costs: up to £343,000 p.a.

<sup>4</sup> At present the Church Commissioners' funds can be applied to archdeacons' stipend costs but not their office and working costs. The draft Miscellaneous Provisions Measure, which General Synod agreed in July 2012 should be submitted to a Revision Committee, would give the Church Commissioners power to enable their funding to be directed to the support of archdeacons' office and working costs as well as stipend costs. This would give effect to the intentions underlying the introduction of the block grant system for senior clergy.

<sup>5</sup> This updates the figure for 2011 quoted in the Commissioners' response to the Commission's initial draft scheme to 2013 as these grants are increasing by 4% p.a. in the 2011-2013 triennium.

### 3.3 *Senior clergy housing no longer required*

3.3.1 Based on the average routine maintenance and running costs over the past five years for the see houses of Bradford and Wakefield, the Church Commissioners might save around £100,000 p.a. which would become available for distribution for other purposes.

3.3.2 Assuming the new diocese chooses to sell the house currently occupied by the Archdeacon of Craven it would make annual savings in expenditure on maintenance and running costs estimated at £9,000 (assumed to be 2.5% of value).

- Saving in annual maintenance and running costs of senior clergy housing no longer required: £109,000 p.a. (dioceses: £9,000 p.a., Church Commissioners: £100,000).

### 3.4 *Housing for new suffragan bishops (on-going costs)*

3.4.1 On-going maintenance and running costs for housing for the two new suffragan bishops' houses are estimated at £33,000 p.a. (based on expenditure of 2.5% of the estimated value – see section 4.5).

- Estimated maintenance cost of suffragan bishops' housing to diocese: £33,000 p.a.

### 3.5 *Reduced frequency of appointment of new bishops*

3.5.1 If the scheme did *not* proceed, costs would be incurred in the year or so after the vacation of any of the three existing bishoprics in preparation for a new bishop<sup>6</sup>. The timing of such occurrences is clearly uncertain but, over a cycle of appointing new diocesan bishops, (three at present, one under the scheme) say over ten years, the saving over a ten year period is estimated at:

- Saving over ten years: £62,000 (dioceses: £40,000, Commissioners: £14,000, Archbishops' Council: £8,000) plus £10,000 in staff time (Commissioners).

### 3.6 *Clergy stipends*

3.6.1 All three dioceses have the same Regional Stipends Benchmark (RSB) but, as shown in table 3 below, have different stipends policies. The new diocese might decide to move towards a harmonised stipends system for its clergy. Using 2012/13 stipend rates, if the new diocese decided to pay all clergy at the highest rate currently paid in the three existing dioceses, the additional cost of stipends and employers' national insurance is estimated at £180,000 p.a. more than currently paid. Conversely, if all clergy in the three dioceses were paid at the lowest rate currently paid, the potential eventual savings in stipends and associated costs is estimated at £115,000 p.a. less than at present.

<b>Table 3: Summary of annual stipend levels 2012/2013</b>			
	Regional stipends benchmark £	Diocesan Basic Stipend £	Curates' stipend £
Bradford	23,320	23,437	22,446-22,746
Ripon & Leeds	23,320	23,320	21,900
Wakefield	23,320	24,120	21,900

3.6.2 The Dioceses Commission has not sought to pre-judge the new diocese's decision on stipends policy, the financial effect of which could range between the two estimates above. For the purposes of this estimate, it has decided to be prudent and assume that no saving in stipend costs will be made and to show the range of options between the current position and moving to the highest cost position, not least as the new diocese may decide to phase in any new stipends policy.

- Estimated additional stipend costs if the diocese decides to move to a harmonised stipends system: between £0 and £180,000.

<sup>6</sup> See section 3.1 of the original estimate for further details.

### 3.7 *Cathedral residentiary canons*

- 3.7.1 Articles 9 and 12 of Schedule 2 Part 1 of the scheme would amend the Cathedrals Measure 1999 so that, **with the consent of the diocesan bishop of the new diocese**, the Church Commissioners' duty to pay the stipend and associated costs of two residentiary canons engaged exclusively on cathedral duties could be reduced to a duty to pay the stipend of only one such canon in any of the three cathedrals. Each canon's stipend and associated costs is estimated at £36,000 p.a. at 2012/2013 stipend levels, excluding expenses and housing costs met by the cathedral. The cathedral would also potentially have a capital receipt or rental income stream from any property no longer required to house a cathedral canon.
- 3.7.2 However, as any saving would depend on a decision that may be made by the Bishop of Leeds some years hence, no such savings are factored into this estimate.

### 3.8 *Registrars*

- 3.8.1 The annual fee for the registrar of the new diocese is estimated to be at least 10% lower than the aggregate of the current arrangements due to economies of scale. So, it is assumed that there will be on-going annual savings of around £15,000, £9,000 of which would accrue to the new diocese and £6,000 to the Commissioners.
- On-going saving of around £15,000 p.a. (new diocese: £9,000, Commissioners: £6,000).

### 3.9 *Diocesan office accommodation*

- 3.9.1 The forecast cost of running the existing diocesan offices in 2013 is £296,000. There are likely to be economies of scale in terms of running costs of the new arrangements, the extent of which will depend on subsequent decisions to be made locally. It is considered reasonable to assume a saving of around one-third in such costs, say £100,000 p.a.
- Assumed eventual saving in running costs of diocesan offices: £100,000 p.a.

### 3.10 *Diocesan staff*

- 3.10.1 The staffing complement in the three existing dioceses' 2013 budgets is 87.3 full time equivalent (FTE) posts with budgeted annual salary costs of £3.5 million<sup>7</sup>. The Dioceses Commission considers it reasonable to include an estimated figure of 10% of total salary costs – £350,000 p.a. – for the ultimate level of staff savings. This will be realised within several years not least as the knowledge and experience of many of the staff of the existing dioceses will be vital in achieving a smooth transition and establishment of the new diocese and only fairly modest savings in salary costs are likely to be made at the outset. The Dioceses Commission considers this to be at the cautious end of the scale of likely outcomes, not least recognising that many recent public sector restructurings have set a target for staff savings of between one-quarter and one-third of costs. In the experience of some Dioceses Commission members, the ultimate level of savings in salary costs might well exceed 10% by the end of the transitional process.

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<sup>7</sup> External funding is budgeted for 9.3 FTE posts with annual salary costs of £305,000, resulting in a net cost of £3.2 million. These figures include employers' national insurance and pension contributions.



3.10.2 Even on this relatively prudent assumption the cumulative savings within a few years will be significant. The summary and conclusion includes payback periods taking into account the estimated ultimate savings and showing the position if the assumed 10% reduction in staff numbers were to take place evenly over five years.

- Illustrative estimated eventual annual savings in salary costs (dependant on local decisions): £350,000 p.a.

### *3.11 Impact of parish transfers*

3.11.1 From the diocese of Leeds' perspective, it is estimated that the net loss of annual income resulting from the parish transfers which the scheme would effect be £50,000 p.a. (see **Annex 2** for further detail). This takes no account of the opportunity cost of capital invested in clergy housing or the implicit contribution towards the cost of the diocesan office. If these factors are taken into account the impact of parish transfers will be broadly cost neutral from the new diocese's perspective.

- Estimated loss of net income from parish transfers: £50,000.

## 4. Estimated costs arising from the scheme and its implementation

### 4.1 Summary

4.1.1 Estimating the expected costs of implementing the reorganisation scheme has several challenges. Firstly, there are no sufficiently recent precedents of a reorganisation on anything like this scale within the Church of England. In turn this makes it difficult to find a reliable proxy for such costs: whether within the charity or the public sector. Secondly the eventual costs of many reorganisations exceed the initial estimate due to factors such as inadequate planning, various aspects being overlooked and for subsequent cost overruns. Thirdly many matters – quite rightly – will rely on future decisions to be made locally at the appropriate time.

4.1.2 In this section of the financial estimate, the Dioceses Commission estimates various specific costs that would arise from the scheme, summarised in table 4 below. **Lines in italics are particularly dependent on decisions to be made within the new diocese.** The costs of planning and implementing a transition plan for the Diocese of Leeds are likely to be significant, not least to minimise the risk of the new diocese having to incur extra costs in the future if false economies are made during its establishment.

Table 4: Summary of estimated one-off costs and savings					
Paragraph	Description	Dioceses £000s	Church Commissioners £000s	Dioceses/Church Commissioners £000s	Total £000s
4.1.4	<i>Illustrative estimate for transition costs</i>	500	-	-	500
4.1.4	<i>Illustrative contingency for transition costs</i>	-	-	<i>Between 0 and 1,000</i>	<i>Between 0 and 1,000</i>
4.3.4	Compensation for senior clergy whose offices would be abolished	58	192	-	250
4.3.6	Compensation for chancellors	11	-	-	11
4.3.8	Compensation for registrars	81	43	-	124
4.3.9	<i>Additional HR resource to facilitate restructuring</i>	20	-	-	20
4.3.11	<i>Illustrative redundancy costs</i>	100	-	-	100
4.4.2	Proceeds from senior clergy housing no longer required	(300)	(1,800)	-	(2,100)
4.5.3	<i>Capital cost of suffragan bishops housing (if required)</i>	-	-	<i>Between 0 and 1,300</i>	<i>Between 0 and 1,300</i>
4.6.1	Pensions	30	-	-	30
4.7.1	<i>Office accommodation: Moving costs</i>	50	-	-	50
4.8.1	<i>Illustrative additional travel costs for staff</i>	65	-	-	65
4.9.1	<i>Collation, indexing and initial storing of records</i>	5	-	-	5
4.10.1	Transfer of glebe and other assets	84	-	-	84
		704	(1,565)	Between 0 and 2,300	Between (861) and 1,439
Note: The ‘Dioceses/Church Commissioners’ column indicates situations where the Dioceses Commission wishes to encourage and support conversations between the Church Commissioners and diocesan leaders to determine how to explore how the Church Commissioners might provide some further one-off investment to facilitate the successful implementation of the reorganisation.					

- 4.1.3 This estimate includes a £500,000 illustrative provision for transition costs (e.g. for systems such as IT and consultancy) based on examples of such costs in third sector reorganisations. But the Dioceses Commission recognises that it could be argued that public sector reorganisations, such as health authorities where estimated transition costs have been quoted at 5%+ of income<sup>8</sup>, might be a better comparator. Therefore, the Dioceses Commission judges it prudent to include a contingency of £1 million. How much, if any, of this contingency needs to be spent will depend on decisions to be made locally, taking into account financial and non-financial factors, at the relevant times. The sums likely to be spent will become clearer as those working towards the establishment of the new diocese build and develop the business case.
- 4.1.4 In their submissions to the Dioceses Commission's consultations, the Church Commissioners have indicated their willingness to provide some one-off investment to facilitate the successful implementation of the reorganisation in a way which does not undermine the transparency of cost to the dioceses and does not undermine their own financial commitment to the process. The Dioceses Commission is grateful that the Church Commissioners have already agreed to pay up to £200,000 towards the costs of the Programme Manager and preparatory work being carried out by PwC and KPMG that the dioceses have commissioned jointly. The Dioceses Commission asks the Church Commissioners to consider providing financial assistance towards the contingency to help fund any necessary additional transition costs in excess of our central estimate, if this is requested by the dioceses and backed up by an adequate business case.
- Illustrative estimated transition costs: £500,000 (to be met by the dioceses) plus suggested contingency provision of up to £1 million (the balance of funding to be determined by discussions between the dioceses and the Church Commissioners).

## 4.2 *Foundation of new bishoprics and diocese*

- 4.2.1 There would be costs associated with making the initial appointment to the new diocesan bishopric created by Article 4 of the scheme. But no provision is made for these as similar costs would be expected when any of the existing three sees were vacated (see section 3.5).

## 4.3 *Compensation payments and staff restructuring*

- 4.3.1 Those holding office as the diocesan bishop of Bradford, Ripon & Leeds and Wakefield, the Archdeacon of Craven, diocesan chancellor, registrar and their deputies prior to the publication of the draft scheme will be entitled to claim compensation. This would be determined by the Dioceses Commission using the Reorganisation Schemes (Compensation) Rules 2011<sup>9</sup> and would normally be payable by the body responsible for paying the stipend or emoluments of the office immediately before its abolition. If, as a result of restructuring, the diocese decides to make employed staff redundant, their entitlement to redundancy payments will be based on their contractual entitlement and the statutory provision.

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<sup>8</sup> Although the Diocese Commission has been unable to obtain information on actual costs in any such reorganisation, or determine to what extent the headline figure includes costs for which a specific estimate for such as redundancy costs/compensation payments is included in this estimate.

<sup>9</sup> Available at <http://www.churchofengland.org/about-us/structure/churchlawlegis/legislation/other-subordinate-legislation.aspx..>

(a) *Senior clergy (estimates based on 2012/13 stipend levels)*

4.3.2 Under the Compensation Rules 2011, the **maximum** entitlement to compensation for senior clergy<sup>10</sup> is:

- Sum(s) in lieu of stipend from the date of loss of office until retiring age (currently 68).
- Accrual of pension benefits from the date of loss of office until the retiring age.
- Compensation for loss of housing (it is assumed that the sum paid will be equivalent to the maximum rent payable on a Church's Housing Assistance for the Retired Ministry (CHARM) rental scheme property located outside London and the South-East).
- Removal and resettlement expenses (assumed to be £8,000: the maximum sum that is exempt from tax under HMRC rules).

4.3.3 If the four senior clergy whose offices would be abolished by the scheme were appointed to other equivalently paid offices or retired before the scheme came into effect, compensation would be likely to be up to £32,000 for removal and resettlement expenses. However, if these offices were abolished at the start of 2014 and office holders claim and are entitled to compensation until reaching the retiring age, the **maximum** compensation payable is estimated at £1.45 million (payable over up to 13 years until the last of the office holders reaches retiring age<sup>11</sup>). Of this sum £840,000 would be payable by the Church Commissioners and the remaining £610,000 by the diocese<sup>12</sup>.

4.3.4 Actual compensation payable will depend on individual's circumstances and decisions. The Dioceses Commission considers that it is reasonable to assume that compensation will be payable for one year (unless the office holder reaches retiring age before this). If this were the case compensation payments are estimated at £250,000: £192,000 of which would be borne by the Church Commissioners and £58,000 by the new diocese.

- Estimated cost of compensation: £250,000 (£192,000 borne by the Church Commissioners and £58,000 by the new diocese)

(b) *Chancellors*

4.3.5 The Reorganisation Schemes (Compensation) Rules 2011 state that "*the Dioceses Commission is required to determine what is just and reasonable by way of compensation*" for chancellors and their deputies whose office is abolished by a reorganisation scheme. The Commission understands that the chancellors' emoluments of office are likely to form only a relatively minor proportion of their total income. So it is unlikely that a chancellor whose office was abolished would be awarded compensation based on the total of his or her emoluments of office: it could be only a nominal amount.

4.3.6 In 2013 the three DBFs will pay retainers of £5,745 to their chancellors. Over the past six years they have not received fees for any other work carried out for the diocese (e.g. in the consistory court). The Commission considers it is reasonable to assume for the purposes of this estimate that one of the existing chancellors will be appointed as chancellor of the new diocese and that total compensation for chancellors, payable by DBFs, will be no more than one year's annual retainer for the remaining two: £11,490.

- Estimated cost of compensation for chancellors: £11,490 (payable by the dioceses).

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<sup>10</sup> As stated in our original financial estimate (3.2.6) different arrangements apply to any office holders taking up appointments after the scheme is published.

<sup>11</sup> Though the Dioceses Commission may decide to reduce compensation if the individual refuses to accept an ecclesiastical office comparable to the abolished office without good and sufficient reason.

<sup>12</sup> It should be recognised that compensation payments would be similar to the sum which would be spent on stipend, pension contribution and housing costs if the existing offices were to continue until the current holders reach retiring age. And once compensation payments cease there would be a financial saving.

*(c) Registrars*

- 4.3.7 The Compensation Rules 2011 provide that any compensation for Registrars is to take account of the same sorts of considerations as apply to chancellors, but sets a maximum of one year's loss of service. In 2013 the annual fee payable to Registrars in the three dioceses will be £147,000<sup>13</sup>. Fees for other work in connection with their role as registrar not covered by Fees Orders (e.g. consistory court work, faculty and licence fees) vary considerably from year to year and have averaged £13,000 p.a. per registrar over the past six years.
- 4.3.8 Registrars' emoluments of office are unlikely to form the bulk of their total professional income and it is unlikely that compensation awarded to a registrar would be based on the total of his or her emoluments of office. But, to be prudent the estimate of compensation is at the maximum potential level (taking into account the retainer and average fees for other work in direct consequence of the registrars' appointments) of £186,000. The Commission considers it is reasonable to assume for the purposes of this estimate that one of the current registrars will be appointed as registrar of the new diocese, reducing the estimated compensation by a third to £124,000 (£81,000 to be paid by DBFs and £43,000 by the Church Commissioners).
- Estimated compensation payable to registrars: £124,000 (dioceses: £81,000, Church Commissioners: £43,000).

*(d) Staff*

- 4.3.9 The staffing requirement for the new diocese will depend on the structure decided by those working towards the formation of the new diocese to deliver its mission most effectively and efficiently. There will be HR involvement in all aspects of preparation for, and implementation of the new structure, having due regard to the Transfer of Undertakings (Protection of Employment) Regulations (TUPE). The cost of staff time to complete this work, including senior HR resource, support from diocesan secretaries and an archdeacon, is estimated at around £40,000 and it has been assumed back-fill provision will be needed for up to half of this, i.e. £20,000.
- Estimate of additional HR resources/back fill provision required: £20,000.
- 4.3.10 In the previous section it was stated that it was considered reasonable to assume a 10% staff reduction. As this would occur over time, the Commission expects most reductions to occur by staff retiring or moving to alternative employment. However, to be prudent this estimate includes an illustrative provision of £100,000 for redundancy costs that might become payable<sup>14</sup>. This estimate has regard to the 'Employment Protection Policies and Procedures' documents that are in place in two of the dioceses and assumes an average length of service of 15 years.
- 4.3.11 The illustrative provision includes an allowance for the nine staff working for the three diocesan bishops as it is considered likely that any restructuring involving these posts would probably be part of the wider discussion about staffing for the whole diocese, including support for the bishops. Any redundancy payments for these posts would be likely to be funded from within the senior clergy ministry grant from the Church Commissioners as decisions how to spend this money are made locally.
- Illustrative redundancy costs: up to £100,000.

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<sup>13</sup> £83,000 payable by the DBFs and £64,000 by the Church Commissioners.

<sup>14</sup> If any staff who are externally funded were made redundant, it is possible that any compensation paid to them may be recoverable depending on the terms of the arrangement between the diocese and the funder. In addition the figure would be lower if some posts were vacated by natural wastage or redeployment.

#### 4.4 *Senior clergy housing no longer required*

- 4.4.1 Under the proposals in the reorganisation scheme, the Church Commissioners would become responsible for housing two fewer diocesan bishops. If the two surplus see houses were sold the Commissioners would receive capital, estimated at £1.8 million. The proceeds would be reinvested in the Commissioners' portfolio to produce a return to support their distributions to the Church.
- 4.4.2 The house currently occupied by the Archdeacon of Craven, estimated value around £0.3 million, would potentially be available for sale with the proceeds accruing to the diocese.
- Capital receipts from surplus senior clergy housing: £2.1 million (Church Commissioners: £1.8 million, diocese: £0.3 million).

#### 4.5 *Housing for new suffragan bishops*

- 4.5.1 It will be the new diocese's responsibility to decide on how housing is provided for its new suffragan bishops and how any purchases it may deem necessary are financed. The value of houses of a suitable type and location for the new suffragan bishops is estimated at £1.3 million. Existing diocesan property may be suitable for this purpose at no capital cost, although it might require some investment for alterations. But if not and the new diocese decided to purchase two new houses, taking into account the estimated sale proceeds of the house currently occupied by the Archdeacon of Craven, the diocese would need to invest an additional £1 million in senior clergy housing, either up front or gradually by way of a mortgage.
- 4.5.2 In their response to the Dioceses Commission's consultation, the Church Commissioners stated that there should be "*conversations between the Commissioners and diocesan leaders about the optimal solution in terms of housing*". The Dioceses Commission wishes to encourage these conversations to seek to identify a creative solution.
- 4.5.3 For purely illustrative purposes, this estimate shows a range of possible costs to the new diocese between zero (if the dioceses already own suitable housing and it requires no adaptation) and £1.3 million (if two new properties were purchased outright). Actual costs will depend on subsequent decisions to be made within the new diocese.
- Illustrative estimate of financing costs of new suffragan bishops housing: between zero and £1.3 million (the balance of funding to be determined by discussions between the dioceses and the Church Commissioners).

#### 4.6 *Pensions*

4.6.1 To meet the requirements of pensions legislation, some legal work and regulatory procedures<sup>15</sup> will be needed to enable the Section 75 debt<sup>16</sup> that would be triggered on the cessation of participation of each of the existing dioceses in the clergy and staff pensions schemes to be carried forward rather than having to be paid off. The cost of legal work involved for each of the two schemes could be around £15,000, together with around £3,000 for the cost of staff time, provided that no significant difficulties were encountered. The staff costs would be absorbed by the Pensions Board and a decision would need to be taken whether to recharge the legal costs to the three existing dioceses or bear them within the Clergy Pensions Scheme. To be prudent, for the purpose of this financial estimate, it has been assumed that the external costs would be recouped from the existing dioceses.

- Estimated costs of work related to the clergy pensions and Church Workers Pension schemes: £30,000 plus £6,000 in Pensions Board staff time.

#### 4.7 *Office accommodation: moving costs*

4.7.1 Based on the NCIs' experience of moving into Church House in 2007 but taking into account the moves would be from three different locations, the costs relating to relocation and removal for diocesan office premises are estimated at £50,000.

- Estimate of removal costs to new diocesan office(s): £50,000.

#### 4.8 *Additional travel costs for staff*

4.8.1 If staff are required to move offices they could be entitled to compensation for additional costs incurred (most likely to be travel costs) for a fixed period. The amount and period of any such payments will depend on individuals' circumstances, contractual arrangements and the new diocese's policy. For illustrative purposes, if 50 individuals were reimbursed for an average additional journey of 10 miles each way on 220 travelling days for one year at the public transport rate of 30p per mile, additional travel costs would be around £65,000.

- Illustrative estimate of reimbursement of additional travel costs: £65,000.

#### 4.9 *Records management*

4.9.1 At present documents such as parish files, title deeds and other relevant documents are held by each Diocesan Registrar. It is likely that such documents will be most efficiently stored in one location. It is estimated that the cost of planning and implementing the collection, electronic indexing and initial storage of such documents would be in order of £5,000.

- Estimate of collection, indexing and initial storage of records: £5,000.

#### 4.10 *Impact of parish transfers (see **Annex 2** for further details)*

4.10.1 The scheme would transfer glebe located in the parishes which would be transferred by the scheme and a portion of the existing dioceses' DSF capital balance based on the proportion of benefices to be transferred to the 'receiving' dioceses. From the diocese of Leeds' perspective this would result in a transfer of glebe and other assets estimated at £57,000 and £27,000 respectively (the precise value will depend on investment values at the implementation date).

- Estimated value of glebe and other assets to be transferred: £84,000.

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<sup>15</sup> Such as the Pensions Board being satisfied that the strength of covenant of the new diocese is likely to be no weaker than that of the three existing dioceses.

<sup>16</sup> Section 75 refers to the Pensions Act 1995.

## 5. Risk considerations

- 5.1 It is considered that a risk assessment is best linked to the decision making process regarding identified objectives with risks owned and managed by identified individuals. It is too early in the process to compile a risk register for moving aspects of the scheme's implementation as the objectives have yet to be defined sufficiently clearly. Much of this work will be done by the dioceses themselves and it is recommended that a risk management procedure is established to identify and manage risks to objectives that it decides upon. This is likely to include aspects such as:
- Inability to agree and obtain widespread support for an integrated parish share system for the new diocese or satisfactory transitional arrangements.
  - Failure to obtain support for the scheme's introduction from key stakeholders including the larger and more generous parishes.
  - Failure to obtain agreement on appropriate office accommodation for the new diocese or failure to find adequate cost-effective office space for sale or rent in desired location.
  - Difficulty in funding transitional arrangements such as changes to senior clergy housing, systems development and migration and potential cost overruns possibly arising from changed objectives, (specifications) etc.
- 5.2 At the current stage in the process it is considered to be most helpful to summarise risk considerations in a list of the advantages and disadvantages of proceeding or not proceeding with the scheme. The Dioceses Commission's assessment on this is set out below.
- 5.3 The most **significant advantages of proceeding with the scheme** are considered to be:
- Improved efficiency and effectiveness in delivering and supporting the Church's mission.
  - Prospect of on-going financial savings which could be used to enhance diocesan mission and / or reduce parish share giving parishes the opportunity to enhance local mission.
  - More resources available than currently available in any of the existing dioceses to respond to evolving local needs.
- 5.4 The most **significant disadvantages of proceeding with the scheme** are considered to be:
- Temporary diversion of resources away from front line mission and ministry and some uncertainty of the extent of resources required for implementation.
  - An inevitable period of uncertainty for clergy, staff and those in the parishes.
  - The requirement for initial investment in respect of up-front costs (e.g. systems transition, compensation for loss of office / post).
- 5.5 The most **significant advantages of not proceeding with the scheme** are considered to be:
- Minimal short-term disruption and uncertainty for clergy, staff and parishes.
  - No need for investment of resources to achieve change.
  - Ability to retain current level of focus on front-line issues.
- 5.6 The most **significant disadvantages of not proceeding with the scheme** are considered as:
- Perceived weakness in the long-term sustainability of current structures and the opportunity cost of continuing with them will be perpetuated.
  - Likely to stifle prospects for and commitment to future change within the dioceses and in the wider Church.
  - Continued mismatch between the Church's diocesan structures and those of civic and socio-economic life in West Yorkshire and the Dales.
  - A once-in-a generation opportunity for reinvigorating mission in the area would be lost.



## 6. Conclusion

- 6.1 The requirement to produce this financial estimate has inevitably required the Dioceses Commission to look at a whole range of issues, many of which will rightly be the responsibility of the diocese of Leeds and those working towards its formation. Nevertheless the Commission has had to make assumptions for these aspects. These must be regarded as having **illustrative status only**.
- 6.2 The estimated **ultimate net annual potential savings** identified in this report based on the assumptions made by the Dioceses Commission need to be seen alongside the net one-off implementation costs. These are summarised in table 5 below together with an estimated pay-back period (in simple terms as no adjustment has been made for the time-value of money given the timing of most aspects is uncertain).

<b>Table 5: Broad summary of estimated financial effects of the scheme by responsible body</b>				
Description	Dioceses £m	Church Commissioners £m	Dioceses / Church Commissioners £m	Total £m
One-off cost (receipt)	0.7	(1.6)	Between 0 and 2.3	Between (0.9) and 1.4
<b>Eventual annual savings</b>	<b>Between 0.6 and 0.7</b>	<b>0.1</b>	<b>n/a</b>	<b>Between 0.7 and 0.8</b>
Pay back period (months)	Between 12 and 15	n/a	n/a	Up to 26
Note: 1. Excluding the estimated costs of less than £0.1 million to be borne by the Archbishops' Council. 2. This table contains rounding differences.				

- 6.3 A range is given for estimated one-off costs to illustrate a range for the sums the new diocese might decide to spend in two areas: (i) housing for its new suffragan bishops and (ii) the contingency that the Dioceses Commission recommends is set aside for transition costs in excess of the illustrative figure of £500,000. These costs are included in the 'Dioceses/Church Commissioners' column to reflect the recommendation that there should be discussions between diocesan leaders and the Church Commissioners to explore the Commissioners giving some further financial assistance towards the costs of establishing the new diocese.
- 6.4 From a total Church perspective, estimated one off costs for implementing the scheme and establishing a new diocese are equivalent to up to 26 months' ultimate net annual savings. This figure will be reduced if the diocese decides it is not necessary to spend the full £1.0 million contingency for additional transition costs and/or identifies a more cost effective solution for housing for its new suffragan bishops than has been used for the maximum of the range in this estimate.
- 6.5 From a purely **diocesan perspective** one-off costs for preparing for the scheme and implementing it are broadly equivalent to between twelve and fifteen months' ultimate net annual savings. But this would increase to up to five and a half years if no further financial assistance from the Church Commissioners was forthcoming and the diocese decided it was necessary to fully spend the £1.0 million for transition costs and the maximum estimate of £1.3 million for suffragan bishops' housing. If the saving in staff salary costs build up evenly over five years, accumulated savings are estimated to exceed total one-off costs within between two and seven years, depending on stipend levels in the diocese, the extent of financial assistance from the Church Commissioners and diocesan decisions on expenditure on transition costs and suffragan bishops' housing.
- 6.6 The Dioceses Commission understands that all these payback periods, even if the dioceses decided it was necessary to fully spend the contingency, compare very favourably with typical acceptable payback periods for public sector projects and reorganisations. Thus it is the Dioceses Commission's expectation that the overall result of the scheme will be a financial gain for the new diocese, its parishes and the Church Commissioners.

- 6.7 This assessment is inevitably heavily dependant on the assumptions made, the most significant of which are considered to be:
- An illustrative estimate of the costs of transition, including designing and implementing new systems, of £0.5 million. But, given the inevitable difficulty of accurately forecasting the financial implications of a project of this kind and the likely costs of new IT systems etc., the Commission judges it prudent to allow for a contingency element of an additional £1.0 million.
  - Office and working costs for the area bishops will be in line with the national average.
  - The sums to be invested in and realised from bishops' and archdeacons' housing.
  - The capital cost of any new office accommodation required will be no greater than the capital currently invested in the current arrangements for the three dioceses and that aggregate office running costs will eventually be reduced by one-third.
  - Compensation payable to clergy office holders whose offices are abolished will be payable for one year (given the likelihood of those below retiring age obtaining another office).
  - The extent of any reduction (illustrative assumption 10% over five years) in salary costs of administrative staff supporting the work of the Diocesan Office(s) and bishops determined by the new diocese as it identifies and exploits opportunities for more efficient and effective working.
  - Any redundancy payments needed to facilitate restructuring (illustrative estimate £100,000).
  - The extent of any additional financial assistance from the Church Commissioners towards transitional costs of establishing the new diocese, including any new housing the diocese decides is required for its new suffragan bishops.
- 6.8 The primary reason for the scheme is to establish a framework to better enable the Church in West Yorkshire and the Dales to meet the mission challenges of the future and to advance their mission to the communities which they serve. However, the Dioceses Commission remains confident that the ultimate overall financial result of the reorganisation scheme will be a financial gain for the new diocese (which it can choose to use for other purposes in furtherance of its mission and/or reduce parish share requests thus freeing up resources for parishes to direct to their local mission) as well as for the Church Commissioners (which will benefit the Church of England as a whole via a capacity for distributions for other purposes). The Dioceses Commission recognises that the estimates are likely to change as a result of updated information and decisions made by those working towards the establishment of the new diocese of Leeds.
- 6.9 In summary, it is estimated that eventually (within five years on our assumptions) annual costs for the new diocese of Leeds will be between £0.7 million and £0.8 million lower than for the existing three dioceses of Bradford, Ripon and Leeds and Wakefield. There is potential for further savings but this will be dependant on decisions to be taken by those in the diocese of Leeds in due course. The majority of these savings are expected to accrue to the new diocese. This has the potential to release resources for other mission purposes within the diocese and/or the parishes and might feed through to a lower parish share request depending on decisions to be within the new diocese.

## SUMMARY FINANCIAL STATEMENTS 2006-2011

A1.1 Set out below is an aggregation of the past six years' financial statements for the three existing Diocesan Boards of Finance (DBFs). Bradford and Ripon & Leeds DBFs jointly own their Education company so this is included in the aggregation, together with Wakefield Diocesan Board of Education<sup>17</sup>. The aggregations provide a reasonable guide to what a combined entity would have looked like, but are necessarily an estimate as the dioceses have different accounting policies in some areas<sup>18</sup>.

(i) *Income and expenditure and statement of financial activities*

A1.2. The table below shows a summary of income and expenditure for the three dioceses. The main source of the three dioceses' income is parish contributions, representing 61% of the dioceses' total income in 2011. The next largest income source in 2011 was grants from the Archbishops' Council with investment income and other income including fees from chaplaincies each representing a further 6%. The main use of funds was resourcing ministry and mission which was 86% of total resources expended in 2011 overall. The next largest use of funds were education and contributions to the Archbishops' Council (5% each). Between 2006 and 2011 total incoming resources increased by an average of 1.2% p.a. and total resources expended increased by an average of 0.7% p.a.

<b>Table 6: Summary of aggregate statement of financial activities 2006-2011</b>						
	2006 Total £000	2007 Total £000	2008 Total £000	2009 Total £000	2010 Total £000	2011 Total £000
Incoming resources from generated funds	19,225	20,272	21,125	20,303	20,787	21,121
Incoming resources from charitable activities	2,009	3,076	2,038	2,275	2,038	1,440
<b>Total incoming resources</b>	<b>21,234</b>	<b>23,348</b>	<b>23,163</b>	<b>22,578</b>	<b>22,825</b>	<b>22,561</b>
Cost of generating funds	352	365	281	188	217	242
Charitable activities	22,969	22,965	24,055	24,078	23,976	23,158
<b>Total resources expended</b>	<b>23,321</b>	<b>23,380</b>	<b>24,336</b>	<b>24,266</b>	<b>24,293</b>	<b>24,100</b>
<b>Net incoming/(outgoing) resources before transfers</b>	<b>(2,087)</b>	<b>18</b>	<b>(1,173)</b>	<b>(1,688)</b>	<b>(1,368)</b>	<b>(1,539)</b>
Transfers between funds	6	(1)	5	-	-	-
<b>Net income/(outgoing) resources before other recognised gains and losses</b>	<b>(2,081)</b>	<b>17</b>	<b>(1,168)</b>	<b>(1,668)</b>	<b>(1,368)</b>	<b>(1,539)</b>
Realised gains/(losses)	4,153	1,989	8,426	160	185	(39)
Unrealised gains/(losses)	17,237	(624)	(11,215)	976	1,200	442
Net movement in funds	19,309	1,382	(3,957)	(532)	17	(1,136)
Total funds at 1 January	155,470	174,779	176,161	172,204	171,672	171,689
Total funds at 31 December	174,779	176,161	172,204	171,672	171,689	170,553

A1.3 In the past six years income in the three dioceses has averaged £22.6 million p.a. and expenditure has averaged £23.9 million p.a. The average net outgoing resources before other recognised gains and losses of £1.3 million p.a. which has been more than offset by overall net realised gains on assets held averaging £2.5 million p.a. If depreciation and grants to new schools and academies (£1.9 million in 2006-2011) are excluded, incoming resources would have exceeded resources expended by an average of £0.3 million over the six year period (before realised gains on assets are taken into account) which gives some reassurance regarding the financial viability of the combined entity.

<sup>17</sup> Wakefield Diocesan Church Organisation Society (2011 income: £6,000 and expenditure: £5,000) has been excluded on grounds of materiality.

<sup>18</sup> most significant is the valuation policy for parsonage houses and depreciation: the different policies were set out in our initial financial estimate.

(ii) *Balance sheet*

A1.4 An aggregation of the three DBFs' balance sheets at the last six year ends is set out below.

<b>Table 7: Aggregate Balance sheets as at 31 December</b>										
	2006 Total £m	2007 Total £m	2008 Total £m	2009 Total £m	2010 Total £m	2011 Bradford £m	2011 Ripon & Leeds £m	2011 Wakefield DBF £m	2011 Wakefield DBE £m	2011 Total £m
<b>Fixed Assets</b>										
Tangible assets	134.1	134.4	140.8	139.1	137.6	35.7	54.7	49.5	0.3	140.3
Investments	37.0	38.1	29.7	29.9	32.3	2.2	18.8	7.2	1.8	30.3
<b>Total fixed assets</b>	<b>171.1</b>	<b>172.5</b>	<b>170.5</b>	<b>169.0</b>	<b>169.9</b>	<b>37.9</b>	<b>73.5</b>	<b>56.7</b>	<b>2.1</b>	<b>170.3</b>
Debtors and stock	2.8	3.0	3.5	3.3	2.1	0.9	0.3	-	0.7	1.9
Cash at bank and in hand	3.0	2.9	3.0	2.0	1.8	0.4	0.5	0.8	0.4	2.0
Freehold properties held for sale	1.3	1.1	0.8	1.0	0.7	3.0	-	-	-	3.0
Investments	7.8	8.8	4.5	6.0	6.2	0.4	-	1.3	0.5	2.3
<b>Total current assets</b>	<b>14.9</b>	<b>15.9</b>	<b>11.8</b>	<b>12.3</b>	<b>10.7</b>	<b>4.6</b>	<b>0.8</b>	<b>2.1</b>	<b>1.6</b>	<b>9.1</b>
Creditors: amounts falling due within one year	(8.1)	(7.5)	(4.7)	(4.1)	(3.5)	(1.1)	(0.7)	(1.4)	(0.7)	(3.9)
<b>Net Current assets</b>	<b>6.8</b>	<b>8.4</b>	<b>7.1</b>	<b>8.2</b>	<b>7.2</b>	<b>3.6</b>	<b>0.1</b>	<b>0.7</b>	<b>0.8</b>	<b>5.2</b>
<b>Total assets less current liabilities</b>	<b>177.9</b>	<b>180.9</b>	<b>177.6</b>	<b>177.2</b>	<b>177.1</b>	<b>41.6</b>	<b>73.6</b>	<b>57.4</b>	<b>3.0</b>	<b>175.6</b>
Creditors: amounts falling due after more than one year	(3.1)	(4.6)	(5.4)	(5.6)	(5.4)	(2.3)	(0.4)	(2.3)	-	(5.0)
<b>Net assets</b>	<b>174.8</b>	<b>176.3</b>	<b>172.2</b>	<b>171.7</b>	<b>171.7</b>	<b>39.3</b>	<b>73.3</b>	<b>55.0</b>	<b>3.0</b>	<b>170.6</b>
Endowment capital funds	79.6	79.4	85.8	84.7	14.5	32.7	2.5	43.2	1.9	80.3
Restricted income fund	68.5	69.6	60.2	60.4	60.4	1.0	58.1	1.6	-	80.7
<b>Unrestricted Income funds:</b>										
General funds	11.2	12.0	12.4	13.0	13.5	5.3	0.5	10.2	1.1	17.1
Property revaluation reserve	0.1	0.1	-	-						
Designated funds	15.8	15.2	13.8	13.5	13.3	0.3	12.2	-	-	12.5
<b>Total Funds at year end</b>	<b>174.8</b>	<b>176.3</b>	<b>172.2</b>	<b>171.7</b>	<b>171.7</b>	<b>39.3</b>	<b>73.3</b>	<b>55.0</b>	<b>3.0</b>	<b>170.6</b>
<b>Note: This summary may contain some rounding differences.</b>										

A1.5. All three dioceses include parsonage houses on their balance sheet as tangible assets, notwithstanding that they are vested in the Incumbents of the benefices concerned, as recommended in the Diocesan Financial Statements Guide because the DBF carries both obligations and objects-related (plus *contingent* reversionary) benefits of ownership.

A1.6 The three dioceses' external auditors have all issued unqualified audit opinions on the 2011 financial statements and have not raised any points about their ability to continue as going concerns.

A1.7 An aggregation of cashflow statements for the three DBFs over the last six years is set out below.

<b>Table 8: Aggregate Cash Flow Statements 2006-2011</b>										
	2006 Total £000	2007 Total £000	2008 Total £000	2009 Total £000	2010 Total £000	2011 Bradford £000	2011 Ripon & Leeds £000	2011 Wakefield DBF £000	2011 Wakefield DBE £000	2011 Total £000
<b>1. Net Cash Inflow/(Outflow) from operating activities</b>	<b>(1,533)</b>	<b>(43)</b>	<b>(4,617)</b>	<b>(3,429)</b>	<b>(1,787)</b>	<b>378</b>	<b>(1,061)</b>	<b>(432)</b>	<b>(138)</b>	<b>(1,253)</b>
<b>2. Returns on investment and servicing of finance</b>										
Interest and dividends received	1,627	1,884	1,959	1,542	1,452	167	920	287	102	1,476
Interest paid	(141)	(205)	(296)	(181)	(152)	(41)	(18)	(78)	-	(137)
Interest received	39	73	52	16	15				19	19
Rent received	18	27	27	21	36				36	36
<b>3. Capital expenditure &amp; financial investment</b>										
Expenditure on purchase of tangible fixed assets	(4,162)	(4,442)	(3,686)	(2,161)	(2,054)	(914)	(1,275)	(554)	-	(2,743)
Sale of tangible fixed assets	5,014	3,093	1,225	2,829	2,534	-	281	243	-	524
Sale of tangible current assets	-	8,019	2,077	-	22	-	-	-	-	-
Purchase of investments	(4,984)	(6,571)	(1,015)	(3,452)	(1,845)	(413)	(2,267)	(80)	(13)	(2,773)
Sale of investments	2,384	17	-	3,913	1,053	33	3,580	-	-	3,613
Loans advanced	(148)	(1,721)	(444)	(64)	(112)	(59)	-	-	-	(59)
Loans repaid	183	172	211	631	1,143	124	47	128	-	299
<b>4. Net cash inflow / (outflow) before financing</b>	<b>(1,703)</b>	<b>303</b>	<b>(4,507)</b>	<b>(335)</b>	<b>305</b>	<b>(725)</b>	<b>207</b>	<b>(486)</b>	<b>6</b>	<b>(998)</b>
<b>5. Management of liquid resources</b>	<b>392</b>	<b>(302)</b>	<b>194</b>	<b>(190)</b>	<b>(113)</b>	<b>-</b>	<b>-</b>	<b>806</b>	<b>96</b>	<b>902</b>
<b>6. Financing</b>	<b>1,105</b>	<b>610</b>	<b>56</b>	<b>360</b>	<b>(454)</b>	<b>(103)</b>	<b>(233)</b>	<b>(128)</b>	<b>-</b>	<b>(464)</b>
<b>Increase / (Decrease) in Cash</b>	<b>(206)</b>	<b>611</b>	<b>(4,257)</b>	<b>(165)</b>	<b>(262)</b>	<b>(828)</b>	<b>(26)</b>	<b>(192)</b>	<b>102</b>	<b>(560)</b>

## A2 Transfer of parishes to neighbouring dioceses

A2.1 This section sets out the illustrative financial effect of transferring parishes currently in the dioceses of Bradford and Wakefield into Blackburn and Sheffield respectively.

### A2.2 Parish share payments

A2.2.1 The parish share requested from each parish that would be transferred by the scheme in 2011 and 2012, the sum paid in 2011, together with an estimate of what would have been requested by the diocese to which each would be transferred by the scheme in 2012 is set out in table 9 below.

Table 9: Transfer of parishes: estimated impact on parish share						
Parish	Benefice	Paid	Request in current diocese		Estimate in new diocese	Illustrative difference
		2011 £	2011 £	2012 £	2012 £	2012 £
<b>A. Bradford to Blackburn transfers</b>						
<i>St John the Evangelist, Hurst Green*</i> <i>Mitton</i>	Hurst Green and Mitton	18,000	25,492	25,500	22,778	(26,939)
	Hurst Green and Mitton	24,018	24,018	24,217		
<i>Waddington*</i>	Waddington	21,676	21,676	19,866	33,062	(13,196)
<i>Grindleton</i>	Bolton by Bowland with Grindleton	23,496	23,492	24,011	46,486	1,384
<i>Bolton by Bowland*</i>	Bolton by Bowland with Grindleton	22,097	22,097	21,091		
<i>Gisburn*</i>	Gisburn	16,000	25,149	23,128	10,793	(12,335)
		125,287	141,924	137,813	113,119	(24,694)
<b>B. Wakefield to Sheffield transfers</b>						
<i>Penistone</i>	Penistone and Thurlstone	40,515	40,575	39,610	38,289	(1,321)
<i>Thurlstone*</i>	Penistone and Thurlstone	17,412	17,412	15,926	18,184	2,258
		57,927	57,927	55,536	56,473	937
<b>GRAND TOTAL</b>		<b>183,314</b>	<b>199,851</b>	<b>193,349</b>	<b>169,592</b>	<b>(23,757)</b>
Notes: 1. * indicates the parish had some arrears of parish share as at 31 December 2011. 2. In Blackburn PCCs pay Council tax and water rates so estimated shares have been increased by £2 500 to reflect the estimated impact of this						

Notes: 1. \* indicates the parish had some arrears of parish share as at 31 December 2011.

2. In Blackburn PCCs pay Council tax and water rates so estimated shares have been increased by £2,500 to reflect the estimated impact of this.

A2.2.2 Until the new diocese determines its approach to parish share, it is not possible to estimate the differences between the sum requested by the new diocese and the dioceses into which it is proposed certain parishes would transfer. In addition, the extent of any changes in parish share requests will vary over time due to the different average increases in dioceses' budgeted parish share requests, changes in the underlying data and potentially due to changes in the parish share systems. Thus **the tentative and illustrative nature of these comparisons cannot be overemphasised.**

A2.2.3 The Dioceses Commission continues to urge early conversations between representatives of these parishes and 'receiving dioceses' to find ways in which the financial and mission aspects of the transfer could most appropriately and effectively be managed and any transitional arrangements which would help to smooth any potential significant increase in parish share.

A2.2.4 The table above shows whether any of the parishes had any parish share arrears – either relating to 2011 or earlier years – as at the end of 2011. If any of the parishes to be transferred to another diocese were to have such arrears at the time of transfer (either for the current year or previous year(s)) it would need to be decided whether this remained outstanding for the original diocese or the receiving diocese.

## A2.3 Other factors

A2.3.1 The Dioceses Commission has considered other factors as follows:

- There are no Guaranteed Annuities payable by the Church Commissioners to the current incumbent of any parish that would be transferred by the scheme to another diocese.
- There are no loans from the Church Commissioners to any of the dioceses in connection with property in the parishes which would be transferred by the scheme.
- There are four Church schools with links to the parishes proposed for transfer: two each with links to parishes which would be transferred to Blackburn and Sheffield.
- There are no current closed churches cases, Pastoral schemes, clergy discipline or faculty dispute cases in the parishes that would be transferred by the scheme. It is possible that such cases may arise before the scheme comes into force in which case the 'receiving' diocese would inherit a liability for certain costs in connection with resolving the cases.

## A2.4 Benefice Property

A2.4.1 There will be no change to the ownership of benefice property in respect of the parishes and benefices which would be transferred by the scheme. However, the dioceses into which the parishes would be transferred by the scheme would acquire both obligations in respect of maintenance and objects-related (plus *contingent* reversionary) benefits of ownership. The estimated changes in balance sheet values that would occur if the 'receiving diocese' took the properties onto its balance sheet at the end 2011 value in the current diocese's balance sheet<sup>19</sup>:

- Blackburn: +£1,752,000
- Sheffield: +£250,000
- New diocese: -£2,002,000

## A2.5 Glebe and Diocesan Stipends Fund capital<sup>20</sup>

A2.5.1 Article 21(4) of the scheme would transfer any glebe situated in the parishes to be transferred by the scheme to the dioceses into which the parishes transfer. In addition, Articles 23(6) and 23(7) of the draft scheme would transfer a proportion of the DSF capital balances of Bradford and Wakefield to the two dioceses into which certain parishes would transfer, based on the proportion of benefices to be transferred<sup>21</sup>. Based on DSF capital balances and number of benefices in the dioceses as at 31 December 2011 and the income received in 2011, the financial effect of the transfers would be as in the table below.

Table 10: Estimated impact of capital transfers		
	DSF Capital sum to be transferred £000	Value of glebe to be transferred £000 p.a.
Bradford to Blackburn	9	1
Wakefield to Sheffield	18	56
Total new diocese	(27)	(57)

<sup>19</sup> Valuation methods are set out at paragraph 5.2.3 of our initial financial estimate.

<sup>20</sup> These treatments are consistent with the action taken when parishes have been transferred under the Pastoral Measure and under the Dioceses Measure 1978.

<sup>21</sup> Bradford to Blackburn: 3.88% (4 benefices from a total of 103) and Wakefield to Sheffield: 0.69% (1 benefice from a total of 145) (Source: Church Statistics 2010/11).

## A2.6 Summary of estimated changes from a diocesan perspective

A2.6.1 Set out in table 11 below is a summary of estimated main changes in annual income and expenditure which would result from the transfer of parishes from a diocesan perspective. For this assessment a 'standard' cost of supporting a parish has been estimated at £46,000 for a stipendiary minister and £12,500 for a house for duty post. This includes the estimated impact on grants from the NCIs and the apportionment requested by the Archbishops' Council based on the formulae used for 2013. But no recipients of grants from the Church Commissioners and the Archbishops' Council yet know the sums that they may receive in 2014 as spending plans for 2014-2016 will be developed in the light of the forthcoming actuarial review of the Commissioners' fund as at the end of 2012.

<b>Table 11: Summary of estimated effect of parish transfers on annual diocesan income and expenditure</b>			
	New diocese £000 p.a.	Blackburn £000 p.a.	Sheffield £000 p.a.
Parish share	(177)	113	56
Cost of ministry	153	(95)	(47)
Income from DSF capital	(2)	1	1
Glebe rents	(1)	-	1
Grants from NCIs	(24)	1	23
Archbishops' Council's apportionment	1	(1)	-
<b>Total</b>	<b>(50)</b>	<b>19</b>	<b>34</b>
Notes: 1. In this table (i) extra costs or reduced income are shown as negative, (ii) extra income or reduced obligation for costs are shown as positive. 2. Potential parish share receipts for the dioceses of Bradford and Wakefield for 2012 (based on the same proportion of the 2012 request being paid as in 2011) is compared with the estimated request from dioceses into which the parishes would transfer (less £2,500 per benefice for Blackburn relating to estimated council tax and water rates payable direct by parishes). 3. The cost of ministry is deemed to be £2,500 lower per benefice in Blackburn due to the funding of Council Tax and water rates.			

A2.6.2 On a cash basis from the new diocese's perspective, the reduction in receipts from parish share, NCI grants and glebe rents as a result of the parish transfers is likely to exceed the reduced cost of ministry and the apportionment request. But if the opportunity cost of capital invested in clergy housing and the implicit contribution towards the cost of the diocesan office are taken into account, the impact of the parish transfers is expected to be broadly cost neutral.

A2.6.3 From the perspective of the three dioceses into which the parishes would transfer, it is estimated that increased parish share receipts and grants from the NCIs would exceed the increased cost of ministry and apportionment request. This would however depend on the parish share collection rate being sufficiently high.