

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

An estimate of the financial effect of the proposals

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1. Introduction

- 1.1 The Dioceses Commission is required¹, when preparing a draft reorganisation scheme, to prepare alongside it “a detailed estimate of the financial effect of the proposals” (the financial estimate). This is the first occasion that the Commission has prepared an estimate in this form.
- 1.2 This financial estimate accompanies the Dioceses of Bradford, Ripon and Leeds and Wakefield Reorganisation Scheme (the scheme) and should be read alongside it. It also flags up various matters with financial implications which would have to be addressed by those working towards the formation of a new diocese should the scheme be approved.
- 1.3 In most cases, the figures provided are approximate (in some cases very approximate) given that it is often not possible to estimate with precision various factors such as the amount of work (and hence time and cost) involved. An item is only included in this statement if estimated one-off or annual costs or savings on the assumptions made exceed £5,000. A list of items considered likely to be below this threshold is set out at **Annex 1**. For the sake of prudence a provision of £25,000 has been made for total one-off costs where individual items are below this threshold.
- 1.4 Unless otherwise stated, costs and savings are estimated at 2012 levels. It is also stated whether the cost would be additional expenditure or the opportunity cost of staff time. Wherever possible it is stated which part of the Church would be responsible for the costs, although in some cases this is not yet clear. In this regard it should be noted that in its 2010 report on the Yorkshire dioceses, the Dioceses Commission stated “that it was not its intention that the proposed changes should lead to savings for one part of the Church as a result of extra costs to another”.² It is recognised that as the changes which would flow from the scheme could take two or more years to implement, inflation is likely to increase estimated costs and savings in a broadly consistent manner.
- 1.5 In some cases it is not feasible to estimate costs or financial consequences at this stage of the process as these will be dependent on decisions to be taken subsequently by those from the existing dioceses working towards the formation of the new diocese or by the new diocese itself in due course. It does not seem feasible or proper to attempt to prejudge such decisions but, wherever possible, a tentative illustrative estimate has been made based on certain assumptions. We are grateful for the assistance of the diocesan secretaries and senior finance staff in the existing dioceses in the production of this document. However, the assumptions used and estimates made are those of the Dioceses Commission.

¹ by the Dioceses, Pastoral and Mission Measure 2007. Section 6(2).

² Dioceses Commission Review Report No 2: Dioceses of Bradford, Ripon & Leeds, Sheffield and Wakefield (November 2010), paragraph 10.6

- 1.6 For the Church Commissioners and the new diocese the proposals involve both savings and costs. These include:
- a gain for the Commissioners in respect of two see houses in Bradford and Wakefield no longer needed to house diocesan bishops;
 - a cost to the new diocese in purchasing two area bishops' houses in Bradford and Huddersfield;
 - a saving in bishops' stipends and working costs (as the two new area bishops of Bradford and Wakefield would have fewer episcopal staff than the existing two diocesan bishops): as the Church Commissioners do not propose to reduce the total figure allocated to the new diocese to support episcopal and archidiaconal ministry, this would benefit the new diocese;
 - costs to both the Commissioners and the diocese in respect of compensation of existing office-holders.
- 1.7 In this financial estimate, these savings and costs are necessarily addressed separately and attributed to the body to which the saving or cost will legally accrue. It is evident that both the dioceses and the Church Commissioners are expected to make on-going savings as a result of the scheme, although when these savings will begin to accrue depends on a number of factors and therefore cannot be predicted accurately. However, the estimate shows that significant one-off costs will legally accrue to the dioceses whereas the Commissioners should obtain a net one-off receipt. The Dioceses Commission hopes that the Church Commissioners will be willing to view the savings and costs globally. It hopes that the overall result will be both a financial gain for the diocese (which it could use for other purposes in furtherance of its mission and/or reduce parish share requests freeing up resources for parishes to direct to their local mission) as well as for the Church Commissioners (which would benefit the Church of England as a whole via their distributions).
- 1.8 After the consultation period following the publication of the draft scheme ending on 30 April 2012, the Dioceses Commission may amend the draft scheme in the light of comments received on it. A revised financial estimate will also be prepared. This revised statement will take into account any updated information available as well as any amendments that the Commission may make to the draft scheme. It will also reflect any relevant decisions taken or options identified by the Preparation Group that it is envisaged will soon be formed and begin its work by the end of 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, some 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 of how these aspects might be developed but these should be regarded as having illustrative status only.

2.2 On the assumptions we have made, table 1 provides a summary of the estimated one-off and eventual annual costs and savings that might result from the implementation of the scheme. The resulting estimated pay-back period (in simple terms, as no account has been taken of the timing of cashflows as the timing of most aspects is uncertain) is also set out. This summary is set out in more detail in the conclusion which itemises the estimated costs or savings and states whether each is one-off or on-going.

2.3 The most significant assumptions which affect this estimate are considered to be:

- The cost of preparation and implementation of a transition plan and new arrangements (e.g. in respect of new systems, staff structure etc) which, having regard to the cost of mergers in the charity sector as a proportion of charity income, has been estimated at £500,000 (see section 4.1).
- Office and working costs for area bishops in the new diocese will be in line with the national average for area bishops.
- The cost of establishing office accommodation for the new diocese will be no more than the capital invested in the current arrangements for the dioceses of Bradford, Ripon and Leeds and Wakefield.
- Compensation payable to clergy office holders whose offices are abolished will be payable for one year.
- Reductions in administrative staff supporting the work of the diocesan office and bishops will occur over a period of five years as the priorities of the new diocese and the most suitable staffing structure to support its mission become clear. But, as a central estimate, it is assumed that ultimately salary costs will be 10% lower than at present. The reduction in the overall number of administrative staff will, as far as possible, be achieved by natural wastage (i.e. retirements, redeployment and staff finding alternative employment).
- The capital sums assumed to be invested in and realised from senior clergy housing.

2.4 It is recognised that some assumptions made in this estimate are likely to evolve over time, particularly those relating to matters on which the eventual costs and savings will depend on decisions yet to be taken within the dioceses.

2.5 This estimate may be revised in the light of decisions yet to be taken, mostly at local level including those by the Preparation Group, on how the scheme might be implemented. It is recognised that as a result of these decisions the eventual costs and savings could be materially different.

2.6 A broad summary of the estimated costs and savings is set out in table 1 below. In general costs are likely to be one-off in nature and most savings should be on-going, although there is some uncertainty when some of these savings might begin to accrue. The reader is referred to section 8 for a fuller account of these estimates.

Description	Dioceses £m	Church Commissioners £m	Total £m
One-off capital requirement / (receipt)	1.3	(1.8)	(0.5)
One off revenue costs	0.9	0.3	1.2
Total net costs / (receipts)	2.2-2.3	(1.5)	0.7
Eventual annual (savings)	(0.6)-(0.8)	(0.1)	(0.7)-(0.8)
Note: This summary table excludes the Archbishops' Council and Pensions Board/ pension schemes as estimated costs to be borne by these are less than £0.1 million. This table contains rounding differences.			

2.7 The table above shows where the Dioceses Commission expect that costs would be initially met. However, it hopes that, recognising the one off release of capital expected by the Church Commissioners as they will no longer need to provide housing for two diocesan bishops, they will be able to make some funding available to assist with the extra costs the new diocese will face in respect of housing for the new area bishops as part of its support for senior clergy in the new diocese.

2.8 On the assumptions that have been made, from a **total Church perspective**:

- The estimated net one-off revenue costs are broadly equivalent to between 17 and 21 months' estimated recurring annual savings once such savings are fully realised;
- If the estimated overall net capital receipt of £0.5 million from senior clergy housing are included, the one-off costs are estimated at approximately one year's savings once fully realised.

2.9 From a purely **diocesan perspective**, again on the assumptions:

- The ultimate net recurring annual savings are estimated at up to 19 months' net one-off revenue costs for preparing for the scheme and implementing it;
- If the saving in staff salary costs built up evenly over five years, accumulated savings are estimated to exceed one-off revenue costs within two to three years;
- If the estimated requirement of £1.0 million for net investment in senior clergy housing is included, total one-off costs would represent between three and four years of ultimate savings; and
- If the saving in staff salary costs built up evenly over five years, accumulated savings are estimated to exceed total one-off costs within between four and five years.

2.10 From solely the Church Commissioners' perspective:

- the net recurring annual savings are estimated to exceed the net one-off revenue costs of preparing for and implementing the scheme within around 3¼ years; and
- if the estimated capital receipt of £1.8 million from senior clergy housing were included, the Commissioners would receive an estimated one-off net receipt of £1.5 million in addition to making annual revenue cost savings. At the current rate of distribution, on an unsmoothed basis the net capital receipt would enable the Commissioners to make additional distributions of around £36,000 p.a.

2.11. As stated in paragraphs 1.7 and 2.6, the Commission hopes that the Church Commissioners will be willing to view the savings and costs arising from the scheme globally and so will be able to make some additional funding available to assist with the extra costs the new diocese will face in respect of transition and housing the new area bishops. Thus it is hoped that the overall result of the scheme will be a financial gain for the new diocese, its parishes and the Commissioners.

(ii) *Transfer of parishes into neighbouring dioceses*

2.12 The scheme would also result in the transfer of several parishes currently in the dioceses of Bradford, Ripon & Leeds and Wakefield into the dioceses of Blackburn, Carlisle, Durham and Sheffield. The estimated financial effect of these transfers compared with the current situation is set out in section 6 of this report and is summarised in the table below:

	Combined diocese £000 p.a.	Blackburn £000 p.a.	Carlisle £000 p.a.	Durham £000 p.a.	Sheffield £000 p.a.
Parish share	(393)	185	99 to 132	53	87
Cost of ministry	410	(158)	(117)	(45)	(90)
Income from DSF capital	(11)	1	-	8	2
Glebe rents	(7)	2	4	-	1
Grants from NCIs	(80)	41	(4)	11	32
Apportionment	8	(2)	(1)	(2)	(3)
Total	(73)	69	(19) to 14	25	29

In this table extra costs are shown as negative, extra income or reduced obligation for costs are shown as positive. For parish share income received by the dioceses of Bradford, Ripon and Leeds and Wakefield in 2010 are compared with the estimate request from dioceses into which the parishes would transfer.

2.13 The parish share request for some of the parishes proposed for transfer could be significantly different to the current request. This is partially explained by different diocesan approaches to determining how much parishes should contribute. For example, the system used by Blackburn explicitly includes the clergy resource in each parish as part of a formula, whereas the system used by Bradford does not. In Carlisle, parishes are asked to make offers that reflect their finances and the cost of ministry in the parish. These offers are discussed in the deanery in the context of the plans for the deployment of ministry in the deanery.

2.14 This table takes no account of potential differences in the rate of change in overall diocesan parish share requests and is on the assumption that current deployment patterns remain.

2.15 The illustrative impact on individual parishes in terms of possible changes in parish share is set out in table 7 at the start of section 6 of this report. The comparisons are based on 2010 figures and so should be regarded as being illustrative figures rather than estimates. The true financial comparison to be made would be between parish share in Leeds diocese in 2014 (or whenever the relevant provisions of the scheme are brought into effect) and beyond and the diocese into which the parish would be transferred by the scheme. Factors which will change the situation, none of which can be known at this stage, include the parish share system to be adopted by the diocese of Leeds, the level of changes to the general level of parish share in the dioceses, any potential change to parish share systems in the “receiving” dioceses and changes to the underlying data used in parish share calculations. Thus the tentative and illustrative nature of these comparisons cannot be overemphasised.

2.16 The Dioceses Commission would wish to encourage and support conversations between representatives of parishes which would be transferred by the scheme and ‘receiving dioceses’ during the consultation period to find ways in which the financial and mission aspects of the transfer would most appropriately be managed and any transitional arrangements that might be made.

3. Direct consequences of the Dioceses Commission scheme

This section should be read alongside the scheme as it directly refers to various Articles within it.

3.1 *Foundation of new bishopric and diocese*

3.1.1 The cost of staff time in the Archbishops' Secretary for Appointments Office (funded by the Church Commissioners) associated with making the initial appointment to the new diocesan bishopric created by Article 4 of the scheme is estimated at £5,000. The meeting costs of the Crown Nominations Commission, borne by the Archbishops' Council, are estimated at £4,000 and the cost of arrangements such as the nomination, election and enthronement (which would be borne by the diocese) at around £20,000. The costs of robes, seals and removal and resettlement expenses would be met from within the block grant for bishops' office and working costs funded by the Commissioners. In addition the Commissioners would separately meet the costs of consecration and certain specific pre-consecration costs estimated at £7,000.

- Cost of initial appointment: £31,000 (new diocese: £20,000, Commissioners: £7,000, Archbishops' Council: £4,000) plus £5,000 in staff time (Commissioners).

3.1.2 It should be noted that if the scheme did *not* proceed, costs of the order mentioned in the preceding paragraph would be incurred in the year or so after the vacation of any of the three existing bishoprics. The timing of such occurrences is clearly uncertain but, as the current Bishop of Ripon and Leeds and Bishop of Wakefield will retire by no later than 2016 and 2017 respectively when they reach 70, if the draft scheme proceeds it is likely that within the next six years or so, only one new diocesan bishop will be appointed within the new diocese compared with two in the current circumstances, resulting in a modest saving within this timescale. More generally, over a cycle of appointing new diocesan bishops, say over ten years, there would be a saving of twice the costs mentioned above, i.e.

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

3.2 *Senior clergy*

3.2.1 The scheme provides for the new diocese to have one diocesan bishop and four suffragan bishops, all of whom would be area bishops. This compares with three diocesan bishops and two suffragan bishops in the existing three dioceses. In addition the scheme provides for the dissolution of the Archdeaconry of Craven resulting in the new diocese having one less Archdeacon than is currently the case in the existing three dioceses.

(a) Compensation potentially payable to holders of offices to be abolished

3.2.2 The holders of the offices of diocesan bishop of Bradford, Ripon & Leeds and Wakefield and the Archdeacon of Craven prior to the publication of the draft scheme will be entitled to claim compensation. The Dioceses Commission will determine compensation using the Compensation Rules 2011 (approved by General Synod in July 2011) which are based on the existing statutory provision contained in Schedule 4 to the Pastoral Measure 1983 for archdeacons and parish clergy whose offices are abolished by pastoral schemes. Compensation would normally be payable by the body responsible for paying the stipend or emoluments of the office immediately before its abolition. In the case of bishops this would be the Church Commissioners; in the case of archdeacons, the relevant Diocesan Board of Finance (DBF); and in the case of legal officers, the Commissioners and/or the relevant DBF.

3.2.3 Thus the **maximum** entitlement to compensation would be:

- Payment in lieu of stipend from the date of loss of office until the retiring age (currently 68).
- On-going accrual of pension benefits from the date of loss of office until the retiring age (currently 68).
- 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).

3.2.4 If all those whose offices were to be abolished 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 in respect of removal and resettlement expenses. At the other extreme, if these offices were abolished with effect from 1 January 2014 and those whose offices are abolished claim and are entitled to compensation until reaching the retiring age of 68, the **maximum** compensation payable is estimated at £1.4 million (payable over up to 13 years until the last of the office holders reaches retiring age). Of this sum £850,000 would be the liability of the Church Commissioners and the remaining £630,000 would be a liability for the diocese.

3.2.5 It is possible that not all office holders will claim compensation or that they will find other remunerative employment or office in which case their entitlement to compensation will be reduced or will cease. In addition 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. Thus it seems unlikely the maximum sum would need to be paid. Although that sum is significant, it should be recognised that any sum payable in compensation would be similar to the sum which would be spent on stipend, pension contribution and housing costs if the existing posts were to continue at least until the current holders reach retiring age. In some cases, therefore, the proposal involves a deferred saving rather than an additional cost.

3.2.6 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 which, assuming the scheme were to come into force at the start of 2014, would be relevant for one office holder). If this were the case compensation payments are estimated at £245,000: £188,000 of which would be borne by the Church Commissioners and £57,000 by the new diocese. This sum could be reduced if any of the office holders decided to draw their pension or were appointed to an alternative office before the twelve months ended.

3.2.7 It should be noted that any sum paid in compensation would be similar to that which would have been paid to support each office holder's ministry had the office not been abolished, although it should be recognised that there would be no longer be a return in terms of work done by a former office holder. Once compensation payments cease there would be a financial saving due to the lower level of senior clergy resource resulting from an approved scheme. So, in terms of compensation paid to office holders whose posts were abolished, the net financial effect of any approved scheme would be a deferred saving which is explained in more detail section (c).

- Estimated cost of compensation: £245,000 (£188,000 borne by the Church Commissioners and £57,000 by the new diocese)

3.2.8 The abolition of two diocesan bishoprics will have implications for staff working for them. At present we understand that of the ten staff working for the three diocesan bishops, five (with an annual salary cost totalling £116,000) are employed by the bishops and five (with an annual salary cost of £87,000) are employed by the DBF. The estimates for potential restructuring costs (which would be paid by the Church Commissioners, although this might be recouped in full or in part from the block grant for supporting senior clergy ministry) for any who could not be found a post within the new structures and any salary cost savings (which would result in a saving in expenditure from the block grant for supporting senior clergy ministry) which might occur as a result are included in the section on diocesan staff (4.4.(ii)). This is because it is considered that any restructuring involving these posts would probably be part of the wider discussion about staffing for the whole diocese.

(b) Compensation payable to office holders appointed after the draft scheme is published

3.2.9 The Compensation Rules provide for more limited compensation for any person appointed to an office after publication of a draft reorganisation scheme which provides for the abolition of that office. An estimate of the maximum compensation that would be payable in such circumstances is stated in case it becomes relevant during the process of the scheme being considered. In such cases any entitlement is limited to that for one year's loss of service. Again, the Dioceses Commission will take into account the emoluments of any ecclesiastical or other office or regular remunerative work in determining the level of compensation and compensation may be reduced if the individual has refused to accept an ecclesiastical office comparable to the abolished office without good and sufficient reason³.

3.2.10 Thus the **maximum** compensation payable in such cases (at 2011/2012 stipend levels and inclusive of pension contributions, housing allowance and resettlement costs), assuming such compensation is claimed, is estimated at:

- Diocesan bishops: £67,000 (to be borne by the Church Commissioners).
- Archdeacons: £57,000 (to be borne by the diocese).

(c) Stipend and office and working costs

3.2.11 Stipend and related costs and expenses for archdeacons are funded by the diocese. Thus the dissolution of the Archdeaconry of Craven will result in an annual saving of around £44,000 to the diocese in respect of stipend and associated costs (pension and employers' national insurance). There would also be a saving in expenses but this is likely to be broadly offset by similar expenses from work being carried out by archdeacons in the new diocese.

3.2.12 Bishops' stipend and office and working costs are funded by the Church Commissioners. However, from the start of 2011 such costs have been funded by block grants to dioceses. In their submission to the Dioceses Commission the Church Commissioners stated that:

The Dioceses Commission's proposals – that the three diocesan bishops and two suffragans in the three dioceses should be replaced by one diocesan and four area bishops in the new diocese – will potentially create savings of around £275,000 p.a., given the lower cost on average of area bishops than diocesan. (This excludes any potential housing savings.) But, 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.

3.2.13 The Church Commissioners also noted that the episcopal funding system now in place will allow and encourage a further review of deployment in the future as priorities change.

³ See Compensation Rules, rule 12.

- 3.2.14 At present the Church Commissioners' funds can be applied to archdeacons' stipend costs but not their office and working costs. The Commissioners' Board of Governors is to consider a proposal to promote legislation (probably by way of a Miscellaneous Provisions Measure) which 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.
- 3.2.15 Thus the proposed changes will potentially release an additional sum of up to £275,000 p.a. for the new diocese to apply towards the ministry costs of its bishops and archdeacons in addition to the £44,000 p.a. reduction in archdeacons' costs referred to in 3.2.11 above (it is worth noting that the stipend costs for the five archdeacons that would be in office in the new diocese after the scheme had fully come into force are estimated at £230,000 p.a. at the CSA recommended rate for the region in 2011/2012). As indicated in their submission, it is assumed that the Church Commissioners would make no savings as a result of this but the new diocese could decide to apply up to £275,000 of the grant towards its archidiaconal ministry which is currently funded from other sources including parish share, so the new diocese would potentially see a reduction in its net expenditure of this order as well as the saving in respect of the archdeaconry to be dissolved.
- Overall saving to the diocese in respect of funding required for bishops' and archdeacons' stipend and office and working costs: up to £319,000 p.a.

(d) Housing

- 3.2.16 The Church Commissioners are responsible for financing the provision of housing for diocesan bishops whereas dioceses have this responsibility for suffragan bishops. Under the proposals, the Church Commissioners would become responsible for housing two fewer diocesan bishops and the new diocese would become responsible for providing housing for the two additional suffragan bishops.
- 3.2.17 It is assumed that the current Ripon & Leeds See house, which is in Leeds, would be retained as the See house for the new diocese. However, as a result of the scheme, the houses currently occupied by the Bishops of Bradford and Wakefield would cease to be see houses. It is thought unlikely that they either would be a suitable house for an area bishop.
- 3.2.18 Based on the average routine maintenance, servicing and running costs over the past five years for the two see houses which would no longer be required (excluding costs relating to the adaptation of newly acquired houses) the Church Commissioners might save around £75,000 p.a. which would be available for distribution for other purposes. If the two houses were sold the capital, estimated at around £1.8 million excluding any development potential, would become available for reinvestment.
- 3.2.19 In their submission to the Dioceses Commission the Church Commissioners stated that:

*In relation to housing, the Commission's proposals will mean the Commissioners will in future only be responsible for the housing of one bishop rather than three, although the new area bishops . . . would of course need to be housed. There needs, therefore, to be **joined up conversations between the Commissioners and diocesan leaders about the optimal solution in terms of housing for the new diocese as a whole.** The Commissioners wish to provide encouragement for **the opportunity to be taken to explore flexible provision and funding arrangements for the living and working accommodation of the diocesan bishop of the proposed new diocese and its area bishops** (for which the diocese will have funding responsibility).*

- 3.2.20 The Commission hopes that the Church Commissioners will be able to make some funding available to assist with the extra costs the new diocese will face in respect of housing for the new area bishops as part of its support for senior clergy in the new diocese.
- 3.2.21 Regarding housing for suffragan bishops:
- a new house would be required in Bradford,
 - a new house would be required in Kirklees/Calderdale
 - The see of Pontefract would be renamed as the see of Wakefield. As the Bishop of Pontefract's house is in Wakefield, it is assumed this would be suitably located for the renamed see.
 - It is assumed that the other suffragan bishops' houses would be retained. (Although it should be noted that the see of Knaresborough would be renamed as the see of Ripon and the new diocese will need to decide if the current house is suitably located).
- 3.2.22 Depending on location the capital cost of acquiring two new suffragan bishops' houses might total around £1.3 million (it has been assumed that the existing dioceses do not already hold suitable property). Assuming an average expenditure on maintenance and running costs (e.g. water rates and insurance) of 2.5% p.a. would lead to an additional annual cost to the new diocese of some £33,000.
- 3.2.23 There may be a need for potential refurbishment and / or extension work to be carried out on housing identified for the suffragan bishops which, in part, is likely to be dependant on the arrangements for office accommodation. No specific allowance has been made for this in the broad estimate of capital cost in the previous paragraph but this will need to be borne in mind by those working towards the establishment of the new diocese. There may also be a desire to relocate one or more of the existing Archdeacons' houses which may result in an additional cost or saving. Both issues will be a matter for those working towards the establishment of the new diocese or the new diocese itself.
- 3.2.24 The house currently occupied by the Archdeacon of Craven would be available for sale (unless required by the new diocese for another purpose). The sale proceeds of this house, which would accrue to the diocese, are estimated at around £300,000. Assuming annual expenditure on maintenance and running costs of 2.5% of value, there would be an annual saving to the diocese of £9,000.
- 3.2.25 In summary it is estimated that in respect of senior clergy housing:
- There would be a net capital receipt of £800,000 (with the Church Commissioners releasing capital of £1.8 million and the new diocese needing to invest £1 million net)
 - There would be an average annual saving in annual maintenance and running costs of £51,000 (Church Commissioners: saving of £75,000 p.a., dioceses: net additional cost of £24,000).
- 3.2.26 As indicated earlier in the report (see sections 1.7 and 2.6), the Commission hopes that the Church Commissioners will be willing to view the savings and costs arising from the scheme globally and so will be able to make some additional funding available to assist with the extra costs the new diocese will face in respect of transition and housing the new area bishops. Thus it is hoped that the overall result of the scheme will be a financial gain for the new diocese, its parishes and the Commissioners.

3.3 *Chancellors*

- 3.3.1 For ecclesiastical judges and legal officers (including deputies) whose office is abolished by a reorganisation scheme, the Dioceses Commission is required to determine what is just and reasonable by way of compensation, subject to a number of specific considerations that are set out in the applicable provisions of the Compensation Rules.
- 3.3.2 The Commission understands that each of the three chancellors are either engaged in other remunerative work outside the diocese or have retired from such work. Their emoluments of office are likely to form only a relatively minor proportion of their total income and, 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. In many cases actual compensation will be materially less than the maximum, possibly only a nominal amount.
- 3.3.3 The retainers for chancellors, paid by DBFs, in the three dioceses in 2011 were each £5,231. In addition to this, the chancellors have not received fees for any other work carried out for the diocese (e.g. in the consistory court) over the past five years. No separate retainer is paid to any deputy chancellors but they would receive fees for any work in the consistory court.
- 3.3.4 The Commission considers it is reasonable to assume that one of the existing chancellors will be appointed as chancellor of the new diocese and that total compensation for chancellors and their deputies, payable by DBFs, will be no more than one year's annual retainer for the remaining two: £10,462.

3.4 *Registrars*

- 3.4.1 In the case of registrars the Compensation Rules provide that any compensation is to take account of the same sorts of considerations as apply to chancellors. Additionally in the case of registrars, any compensation is limited to no more than one year's loss of service. In 2011 the annual fee, paid to Registrars in the three dioceses was £145,000 (£83,000 paid by DBFs and £62,000 by the Church Commissioners). Fees for consistory court work and other work not covered by Fees Orders paid by DBFs vary considerably and have averaged £5,000 p.a. per registrar over the past five years (although it is understood only one of the three registrars undertook such additional work in that period). No separate retainer is paid to any deputy registrars but they would receive fees for any work not covered by Fees Orders.
- 3.4.2 As with the case of chancellors, 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. Thus the Commission considers it is reasonable to estimate that the maximum potential sum payable to these office holders would be £145,000.
- 3.4.3 However the Commission considers it is reasonable to assume one of the current registrars will be appointed as registrar of the new diocese. This would reduce the compensation estimated above by broadly a third to £97,000 (£56,000 to be paid by DBFs and £41,000 by the Church Commissioners).
- 3.4.4 It is also considered likely that the annual fee for the registrar of the new diocese would be lower – perhaps by 10% -15% than the aggregate of the current arrangements. Thus it is assumed that there will be an on-going annual saving of around £15,000 p.a., some £9,000 of which would accrue to the new diocese and £6,000 to the Commissioners.
- Maximum potential compensation payable to registrars and their deputies: £56,000 by diocesan boards of finance and £41,000 by the Church Commissioners.
 - on-going annual saving of around £15,000 p.a., some £9,000 of which would accrue to the new diocese and £6,000 to the Commissioners.

3.5 Pensions

3.5.1 In respect of clergy pensions, in order to meet the requirements of pensions legislation some legal work and regulatory procedures (such as the Pensions Board being satisfied that the strength of covenant of the combined organisation is likely to be no weaker than that of the three existing dioceses) will need to be done to enable the Section 75 debt⁴ that would be triggered on the cessation of participation of each of the existing dioceses to be carried forward rather than having to be paid off. The cost of legal work involved 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.

- Estimated costs of work related to the clergy pensions scheme: £15,000 (to be met by the existing dioceses or the Clergy Pensions scheme) plus £3,000 in Pensions Board staff time.

3.5.2 A similar issue arises in respect of staff pensions within the Church Workers Pension Scheme and the estimated costs are similar.

- Estimated costs of work related to the clergy pensions scheme: £15,000 (to be met by the existing dioceses or the Church Workers Pensions scheme) plus £3,000 in Pensions Board staff time.

3.5.3 The Dioceses Commission understands that the Preparation Group will commission a piece of work to assess the need for alignment of existing pension arrangements in the three dioceses.

⁴ Section 75 refers to the Pensions Act 1995

4. Aspects that will need to be considered in the implementation of the scheme

4.1 Transitional arrangements

4.1.1 If approved, the scheme will establish a new diocese and there will be a number of decisions to be taken which are likely to have financial implications and / or consequences. As mentioned in the introduction, it is expected that a Preparation Group will be formed before the end of 2011 to begin to consider the issues. This course of action, including membership and Terms of Reference, will be considered by the Bishops Councils of the three dioceses in autumn 2011. Without wishing to pre-judge the work of that Group, not least as decisions on the aspects raised will rightly be made locally, set out below is the Commission's initial assessment of what are likely to be the main issues. This has been prepared following discussion with diocesan officials.

4.1.2 The concept of such a Preparation Group was raised in the initial Dioceses Commission report on the Yorkshire Dioceses published in December 2010⁵. It is envisaged that this Group will work with others within the existing dioceses on a range of issues. Its work is likely to include the following aspects, although the list is not intended to be exhaustive:

- Bring clarity around the governance and accountability of the transition group(s) and any sub groups
- Begin to shape the overarching vision and mission of the new diocese
- Communications strategy
- Begin to develop combined mission and growth plans – mapping innovations, existing commitments to development and growth
- Identification of risks/benefits and opportunities – and mitigation plans as required through a risk register
- Staffing matters – HR policies; communications; skills mapping; TUPE and associated matters, office location, staff terms and conditions etc
- Legal issues – registrars/chancellors; contractual arrangements; capital assets (including offices and housing strategies); glebe; regulators; insurance and auditors
- Episcopal issues – Areas, process for Vacancy in See Committee, Housing etc
- 'Systems' issues – including financial (including accounting and parish share), housing, mission resourcing, education & schools, clergy and lay development, strategic intelligence/IT, communications, synodical/admin, including links with cathedrals, ensuring continuity and on-going service delivery.
- Future governance structures – synods, boards / committees (and corporate and charitable structures), elections memberships

4.1.3 The costs of preparation, planning and implementation of a transition plan are likely to be significant but it is not feasible to estimate them at this stage due to the uncertainty of how this will be carried out. This will become clearer as the Preparation Group begins its work, not least as it will take the financial consequences of options identified into account to aid ultimate decision making. It will also decide how this work will be resourced with regard to implications of cost, delivery and maintenance of support for the work of the existing dioceses. The work may be done either by engaging a specialist transitional team or by staff in the existing dioceses and, if so, provision may need to be made for back fill for diocesan staff's existing roles. The point has been made to us that experience in the corporate and charitable sectors suggests that adequate resources need to be committed to the planning and transitional process in any reorganisation process in order to maximise the benefits gained from it.

⁵ See Dioceses Commission Review Report No 2, paragraph 10.4.

- 4.1.4 A major aspect of this preparatory work will be the assessment of the IT and other system requirements of the new diocese. If it is decided to retain the variety of existing systems, the current level of costs incurred in terms of staffing, third party support, maintenance and subscriptions would be expected to be broadly maintained although there may be additional licence fees payable to facilitate cover across all systems. In contrast, if a decision were to be made to move to a single solution in each area, there could be a long term saving in respect of such costs. There would need to be a major project to implement the new systems, including ensuring adequate mechanisms for retrieval of existing data and training of staff in new systems. This is likely to have cost implications which would need to be considered by the Preparation Group in due course, but it is not possible to make an informed estimate at this stage. The variety of systems currently in use in the three existing dioceses are summarised in Annex 3. This shows little commonality.
- 4.1.5 Some consultancy support is likely to be required for various aspects of this work. Some may be provided pro-bono but some fees are likely to be paid. Such fees are typically at least £500-£1,000 per day.
- 4.1.6 The following comments in respect of mergers in the charitable sector are offered by way of background, even though the organisations mentioned have different charitable objects from the dioceses and carry them out in different ways. In an article in a weekly charity publication⁶ it was estimated that two organisations with a turnover of about £500,000 p.a. (i.e. significantly less than dioceses) and with membership structures could easily spend £100,000 or more between them on realising a merger. This estimate was analysed into independent facilitation (£30,000); due diligence (£5,000); risk assessment (£5,000); legal fees (£20,000); auditors' fees (£10,000); consultation (£10,000); communication (£10,000); and new systems (£10,000). It was stated that with the addition of variable costs, this total might double or treble.
- 4.1.7 Recent examples of charity mergers include:
- The merger of two disability charities with a combined income of £6 million where the costs of merger⁷ were estimated at £150,000 (2.5% of income).
 - The merger of Age Concern and Help The Aged into Age UK (combined income of £170 million) cost £8.1 million⁸ but the most relevant costs in considering the potential costs of the scheme were those classified as legal and professional (£0.8 million, 0.5% of income). It was noted in this case that the merger generated a salary reduction of £6.6 million and the full year impact of the staff reduction with other efficiencies was expected to increase the saving to more than £10 million p.a.
 - The merger of John Grooms and the Shaftesbury Society into Liveability (combined income £48 million) cost £1.9 million (4.0% of income)⁹.
- 4.1.8 These examples are of limited use in developing a very tentative illustrative estimate of the costs of transition, but they do show a wide range in transition costs and that, at least to some extent, they vary with the size and complexity of the organisations concerned. For illustrative purposes it has been assumed that such costs might be in the order of £500,000 for the implementation of the scheme. This illustration is comparable with the costs of similar exercises in other organisations as it is broadly in line with the average percentage of income spent on mergers in the three examples above based on the combined income of the three dioceses. But it cannot be overemphasised that this figure could be significantly

⁶ Analysis: Mergers – What do they consist of – Third Sector 14 March 2011.

⁷ Notes on a charity merger (Speaking Up and Advocacy Partners), Third Sector 14 February 2010.

⁸ Age UK financial statements for year ended 31 March 2010, note 30.

⁹ Grooms-Shaftesbury (Liveability) annual report for year ended 31 March 2008, note 4.

different as the extent of such costs can only become clearer as the Preparation Group develops its work, not least as some costs (for example around systems matters) will be dependent on decisions yet to be made locally. It will include items such as IT systems development and implementation, fitting out of new diocesan office premises and any consultancy support deemed necessary by the Preparation Group.

- 4.1.9 There is the prospect of some financial assistance from the Church Commissioners to help facilitate this transition successfully as set out in their submission in response to the Commission's initial report on the Yorkshire diocese:

The Commissioners believe the Commission's proposals have the potential to eliminate duplication and triplication (e.g. in relation to certain diocesan officer posts) and offer the prospect of greater efficiency and effectiveness in the support of mission. The re-structuring of the diocesan office and diocesan support mechanisms should also provide an opportunity to trial new ways of providing services, which could potentially be replicated elsewhere in the future. However, they note that the potential benefits of reorganisation are only likely to be secured if the implementation process is undertaken professionally, with adequate resources.

*The Commissioners are thus willing to **provide some one-off investment in order to facilitate the successful implementation of the reorganisation.** Such support would, however, be offered in a way which does not undermine transparency of cost to the dioceses in question and alongside their own financial commitment to the restructuring process.*

- 4.1.10 Our illustrative assumption is that the existing dioceses may need to invest some £500,000 in such work, recognising that such costs will only be incurred with the agreement of those working towards the implementation of the new diocese. It is recognised that this is a large sum but it is considered a significant up-front investment will be needed in such work to minimise the risk of the new diocese having to incur extra costs in the future as a result of false economies made during the work towards establishing the new diocese.
- Illustrative estimate for transition costs: £500,000.

4.2 Diocesan Income

(i) Parish share systems

- 4.2.1 The three existing dioceses have different parish share systems. This is a vital income stream for the dioceses as, using 2010 figures, 63% of the total income of the three dioceses was raised in this way. All the systems currently use some measure of wealth in their parish share calculations but in different ways. A brief summary of the system currently used by each of the three existing dioceses is set out below:

- In Bradford, the share is spread across the parishes in the diocese by reference to the Average Weekly Attendance (averaged over three years) and information from income returns from individuals within each parish. There is a minor adjustment in respect of administrators and youth workers employed by individual parishes.
- In Ripon & Leeds, the total budget for parish share is apportioned between deaneries and parishes based on a share score of the Adult Worshipping Community multiplied by an independent assessment of average household incomes in the parish.
- In Wakefield, 25% of the budget for parish share is recovered on the proportion of diocesan clergy posts in the parish. The remainder is apportioned equally based on two factors using the previous three year averages: (i) the parish attendance as a proportion of total diocesan attendance (three year average) and (ii) the parish's income as a proportion of all parishes' income (three year average). The clergy posts and attendance elements are adjusted by a social deprivation factor to reflect the relative deprivation of each parish.

4.2.2 Agreeing a parish share system for the new diocese and transitional arrangements from the existing systems to the new system will be important to ensure a sufficiently high collection rate from the parishes to enable the new DBF to have sufficient income to meet its expenditure plans and obligations to resource mission and ministry within the diocese. It is also important to the financial viability of the existing three dioceses in the period prior to the implementation of the scheme that there is no significant reduction in parish share collection rates, which currently vary considerably between the existing dioceses and between individual parishes within the dioceses.

4.2.3 Inevitably as there are different parish share systems, parish share per 'member'¹⁰, varies between the three existing dioceses. The key points to note regarding parish share are considered to be as follows (the detailed figures as set out in **Annex 4**):

- It is evident that in 2009 all three dioceses received more parish share per member than the national average (Bradford: 19.8%, Ripon & Leeds and Wakefield: 9.8%). However, Bradford received 9.2% per member more than the other two dioceses.
- All three dioceses also received more per average Sunday attender in 2009 than the national average (Bradford and Wakefield: 14.2%, Ripon & Leeds: 9.0%). On this measure Ripon & Leeds received 4.7% less per member than the other two dioceses.

4.2.4 The three dioceses have varying approaches to historic arrears but a common theme is that any partial write off of arrears is conditional on the parish beginning to meet on-going share payments in full for several years. None of the three dioceses operates a system whereby historic arrears are automatically written off after a period of time. The new diocese will need to formulate an arrears policy and a policy regarding legacy arrears from the existing dioceses.

(ii) Giving

4.2.5 It is also relevant to note that the giving levels in each diocese vary as shown in **Annex 4**. The figures show that over the five years to 2009 (the most recent data currently available on a consistent basis for all dioceses), average weekly income per tax efficient giver in the three dioceses combined increased by an average of 4.6% p.a., exceeding the rate of increase in retail prices (2.8% p.a.) by a significant margin. However, it should be noted that the number of such givers declined by an average of 1.1% p.a. over the period which was a sharper reduction than the national average decrease of 0.3% p.a..

¹⁰ Taken to be 1/3 electoral roll plus 2/3 average Sunday attendee as used for giving statistics, see for example Giving for Life GS 1723. 2010 giving data is not yet available for all dioceses and 2010 membership data is not available for any on a consistent basis.

(iii) Money flows between the diocese and the National Church Institutions

- 4.2.6 We have examined the potential effect of the scheme in respect of allocations and apportionment. The new diocese would be asked to pay the same apportionment (2012: £1,013,000 before an adjustment of £62,000 in respect of the pooling of additional maintenance costs for ordinands¹¹) as the current three dioceses. This is because the formula that apportions the Archbishops' Council's budget between dioceses is based on the calculated diocesan resource for each diocese. Similarly the new diocese would receive the same amount in mission development funding (which is based on diocesan resources per population: 2012: £350,000).
- 4.2.7 The formula for determining the ministry support for low income dioceses grants is driven by a calculation of resources per (stipendiary) minister. An 'allocations line' of the average resources per minister across all dioceses is determined and this figure would change following any diocesan reorganisation. The calculation of grants is iterative, seeking to progressively provide half the funding to take the resources per minister figure for any diocese with below average resources per minister up to the allocations line until all money is allocated. Due to the change in the allocations line, there is likely to be a modest difference between the aggregate level of grants currently received by the three dioceses and the potential grant that would be received by the new diocese. Had the new diocese been in place when the 2011-2013 grants were determined, the actual grant would have been around £24,000 (0.7%) more than the actual grants for the three existing dioceses (£3,344,000 planned in 2012). The result of the formula will change as other data is updated, so it is considered a reasonable assumption that the grants made to the new diocese by the Church Commissioners and Archbishops' Council under this funding stream would be broadly similar to those made if the three separate dioceses remained.
- 4.2.8 The new diocese would be eligible to receive support from any other funding streams from the Church Commissioners and Archbishops' Council which might become available (e.g. the new housing and other development areas money which was available in 2008-2010 and the Development Funding stream available in 2011-2013) on the same basis as other dioceses. If any funding stream had a maximum level of support for any one diocese, then the new diocese might receive a lower level of funding than the existing three dioceses combined. But this can only be speculation.

4.3 *Clergy issues*

(i) Clergy stipends

- 4.3.1 In respect of clergy stipends, although all three dioceses have the same Regional Stipends Benchmark (RSB - £22,740 in 2011/12), their stipends policies are different. In 2011/12 the basic stipend paid to incumbents in the three dioceses is: £22,740 (Ripon & Leeds), £22,865 (Bradford) and £23,530 (Wakefield: 3.5% above the RSB). Curates in Ripon & Leeds and Wakefield receive the national minimum stipend (£21,370 in 2011/12) but are paid between £21,629 and £22,471 in Bradford.
- 4.3.2 It would be possible for clergy in the three existing dioceses to continue to receive stipends at different levels, perhaps by awarding clergy in office prior to the coming into force of the scheme a fixed percentage increase and setting a common stipends policy to apply to clergy appointed after that date. But it is possible that the new diocese would decide to move to a harmonised stipends system, either immediately or over a period of several years.

¹¹ See paragraphs 49-52 of GS 1842 for a fuller explanation:
<http://www.churchofengland.org/media/1281161/g1842.pdf>

- 4.3.3 If it were decided to pay all clergy in the three dioceses at the highest rate currently paid (i.e. 3.5% above the RSB for incumbents and the RSB for curates) the additional cost of stipends and employers' national insurance (estimated at an average net rate of 10% of stipend as the contribution in respect of any individual will depend on their Heating Lighting and Cleaning allowance) compared to that currently paid is estimated at £185,000 p.a. at 2011/12 stipend rates.
- 4.3.4 Conversely, if it were decided to move to a system where all clergy in the three dioceses were paid at the lowest rate currently paid (i.e. the RSB for incumbents and the National Minimum Stipend - NMS - for curates) the potential eventual savings in stipends and employers' national insurance compared to that currently paid is estimated at £140,000 in a full year.
- 4.3.5 There is a range of options between these two positions which could be implemented by the new diocese. The Dioceses Commission has not sought to pre-judge the decision on stipends policy which will need to be taken in the new diocese. For the purposes of the 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. It is recognised that the new diocese may decide to phase in a new stipends policy over a period of several years.
- 4.3.6 Whatever the new diocese's stipends policy proves to be, there would be no change in the pension contributions to be paid as these are based on the previous year's NMS which is set by the Archbishops' Council in its capacity as the Central Stipends Authority.
- Depending on the stipends policy decided on by the new diocese, eventual annual stipend costs would be likely to be **between the same level as at present and £185,000 higher** than at present.

(ii) Sector ministry

- 4.3.7 Arrangements for sector ministry (e.g. industrial chaplaincy) would need to be reviewed. At present 23 clergy (19.5 full time equivalents) in the three dioceses are engaged in sector ministries at an annual stipend cost (including employers' national insurance and pension contributions) of around £0.7 million. In addition housing is provided to all these 23 clergy. Some are office holders and others are employees.
- 4.3.8 It is possible that it could be decided that such ministry would be most effectively carried out in the new diocese by a different number of people with a different pattern of focus and in different places. This could have implications for the on-going stipend and housing costs of supporting such ministry. There could also be a one-off cost involved in moving to the new arrangements. There could also be a requirement for or release of capital in respect of housing. But it is not possible to quantify such costs or savings at present, although they could be significant, as decisions on the future pattern and deployment of sector ministers will need to be taken by the new diocese.

(iii) Cathedral ministry

- 4.3.9 The Church Commissioners financial support for the three cathedrals of Bradford, Ripon and Wakefield comes in two forms. They are required by statute to meet the stipends of a dean and two residentiary canons at each of these cathedrals. In 2011 the block grants for this purpose (which also cover removal and resettlement expenses for newly appointed cathedral clergy whose stipends will be funded by the Commissioners) amounted to £125,000 for each cathedral. The Commissioners also have a discretionary power to make grants to contribute towards the cost of other clergy and lay staff ('section 23' grants). In 2011 section 23 grants to the three cathedrals totalled £480,000.

- 4.3.10 Article 10 of Schedule 2 Part 1 of the scheme envisages that the Cathedrals Measure 1999 should apply to the cathedrals of the new diocese with modifications 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. In these circumstances, the anticipated saving in respect of each canon's stipend and associated costs would be around £35,000 p.a. (at 2012/2013 stipend levels). Thus the maximum potential annual saving in stipend and associated costs would be around £105,000. It would be a matter for subsequent decision at local level, following discussion between the Commissioners and the cathedrals (and taking into account the possible deployment of a "Commissioners' Canon" at Leeds St Peter) whether the Commissioners continued to pay these sums to each cathedral to be used for other aspects of the cathedrals' mission and ministry that are a legally permissible use of Commissioner money or whether the sums would be redirected by the Commissioners for grant making in other areas.
- 4.3.11 In addition there would potentially be savings to the cathedrals in respect of expenses and housing costs, estimated at up to £21,000 p.a. (based on available figures from the cathedrals in 2010) if there were three fewer residentiary canons. In addition there would potentially be a capital receipt or rental income stream from any property no longer required to house cathedral canons.
- 4.3.12 However, the Commission considers that, as any saving would depend on a decision that may be made by the Bishop of Leeds some years hence, at this stage it is prudent to assume none of these savings will be made. So these potential savings, which would only occur with the consent of the diocesan bishop of the new diocese, have not been included in any of the summary calculations.
- 4.3.13 The financial arrangements between the new diocese and its cathedrals will need to be considered. At present Ripon and Wakefield Cathedrals pay parish share to the diocese but Bradford Cathedral does not. In addition Wakefield Cathedral pays an administration fee to Wakefield DBF in respect of the cost of administration for the cathedral which is carried out by diocesan staff in the nearby diocesan office.

4.4 *Staff and office premises*

(i) *Office accommodation*

- 4.4.1 At present each of the three existing dioceses owns its diocesan office. The total space occupied is 1,865m². In addition the Education Team serving Bradford and Ripon & Leeds occupies rental accommodation of 105m² in Harrogate. The costs of running these offices was £284,000 (exclusive of rent payable and service charge for the Harrogate office). It is clear that, in addition to accommodating diocesan staff, the meeting and other facilities that the existing accommodation provides are well used with the three dioceses commenting:
- The Bradford Diocesan Office includes a Resources Centre and Library as well as offices (including provision for an Archdeacon). Committee rooms are used for Adult Education and also hired out to third parties for meetings and training.
 - The Ripon and Leeds Diocesan Office in Leeds offers flexible meeting room space with free on-site parking making it ideal for conference, training and business meeting needs varying from a small meeting to a conference for up to 60 delegates. Rooms are used frequently by parishes and external commercial enterprises.
 - Rooms at the Wakefield Diocesan Office are used for meetings and training on average three nights each week and Saturday mornings. The diocesan office also provides a Resource Centre and Library facility for clergy and parishes including access to photocopying and IT equipment.

- 4.4.2 The Dioceses Commission report stated that “*we believe that there would be a general recognition that the Diocesan office for the Diocese should be located in Leeds*”¹² although it was acknowledged that whether the existing building should become the diocesan office of the new diocese and whether all departments should be located in the diocesan office would be a matter for local decision¹³. The current Ripon & Leeds diocesan office has a gross internal area of 628m² and planning permission has been given for additional first floor space of 213m², but this is unlikely to provide sufficient space for all staff of the new diocese. The grassed areas surrounding the building are a former graveyard with graves still present so the scope for extension beyond the current footprint is likely to be problematic.
- 4.4.3 The initial Dioceses Commission report stated that “It might be that, as in other dioceses with area schemes, a small area office might be established for each of the areas other than Leeds, and such an area office might include a room for small meetings”¹⁴. The Commission had in mind that the diocese could identify a need for separate small area offices each supporting the area bishop, an archdeacon and possibly a mission enabler. The Preparation Group will need to decide on the most appropriate and cost effective solution.
- 4.4.4 In reaching the decision on diocesan office accommodation, it will need to be borne in mind that the Yorkshire Regional Training Partnership (RTP), which covers the dioceses of Bradford, Ripon and Leeds, Sheffield, Wakefield and York, has bases in Bradford, Ripon and Leeds and Wakefield. A decision will need to be taken in due course by the new diocese whether the RTP maintains these regional bases. Such a decision will take costs, including premises and travel, into account as well as ease of access to training.
- 4.4.5 It is assumed that the Preparation Group will endeavour to find a solution that is broadly cost-neutral to establish (recognising that there will be some economies of total space required in the diocesan office for functions such as reception and meeting rooms compared with the aggregate of the current situation). But no detailed attempt has been made to analyse this as satisfactory options for office accommodation will depend in part on the staffing structure. However, from an informal assessment of the relevant office markets it does seem reasonable that, provided some or all of the existing diocesan offices can be sold or commercially let reasonably swiftly, a broadly cost-neutral solution can be identified and implemented. However, it is quite likely that there will be a timing mismatch and there may be a short to medium term requirement either for additional capital (if the sale and purchase option is pursued) or revenue (if there is a delay in finding buyers and / or income-producing tenants for the existing offices).
- 4.4.6 It is considered that there are likely to be economies of scale in terms of running costs of the new arrangements. The Dioceses Commission considers it is reasonable to assume a saving of one-third in such costs i.e. £95,000 p.a.
- Assumed eventual saving in running costs of diocesan offices: £95,000 p.a.

¹² Dioceses Commission Review Report No2, paragraph 7.12.1

¹³ *ibid* paragraph 7.12.2 and 7.12.3.

¹⁴ *Ibid* paragraph 7.12.4

4.4.7 There will be one-off costs relating to any relocation and removal and, based on the NCIs' experience of moving into Church House in 2007 but taking into account the moves would be from three different locations, these are estimated at £50,000. (This relates solely to removal costs. It is recognised that there will be other costs associated with the move but these are regarded as being included within the £500,000 illustrative estimate for transition costs set out in section 4.1).

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

(ii) *Diocesan staff*

4.4.8 In June 2011 there were over 100 posts in the three existing dioceses and the total staff headcount was 95.5 full time equivalents (FTE). The annual salary costs (including employer's national insurance and pension contributions) were £3.4 million. External funding is received for 8.7 full time equivalent posts with annual salary costs of £235,000.

4.4.9 The staffing requirement for the new diocese would depend to a significant extent on the structure decided by those working towards the formation of the new diocese to deliver its mission most effectively and efficiently. This is a decision that cannot be taken for some time. Factors that will need to be considered include whether the same number of staff or fewer are needed, what the staffing structure should be and how and when there should be a move towards harmonisation of pay,¹⁵ pension entitlements and other conditions of employment. (It is assumed that from a date to be determined all new appointments would be on a new, yet to be determined, set of terms and conditions). There will be considerable HR involvement in all aspects of preparation for, and implementation of these processes. The cost of staff time to complete this work, including senior HR resource, support from diocesan secretaries and an archdeacon, is tentatively estimated at around £40,000 (although it may well exceed this once the time of others such as the to be appointed departmental heads are included) and it has been assumed back-fill provision for staff's current roles will be needed for up to half of this, i.e. £20,000.

- Estimate of additional HR resources required: £20,000.

4.4.10 It is right that the Dioceses Commission has been asked at this stage to produce a financial estimate of the impact of the scheme. By its nature it can only be an estimate since actual figures will depend on a whole number of detailed decisions taken by others in due course. But it is a necessary discipline both as a cross check on the soundness of our proposals and as an indication to those who will be responsible for the detailed implementation of what the Commission thinks should be achievable.

4.4.11 From the varied experience of Commission members and from discussion with senior figures in the three dioceses quite a wide spectrum has emerged for the scope for possible staff savings and the timescale over which they might be achieved. At one end of the scale it has been suggested that overall savings might be only 5%. At the other some have suggested from experience in other sectors that 20% should be achievable and that 30% would, over time, not be impossible.

4.4.12 As with all restructurings there will be judgements to be reached over which changes need to happen quickly and which might more sensibly be phased over a longer transitional period. It is not for the Commission to anticipate those judgements, which themselves will have a bearing on the scale and pace of the savings and also of any short term costs in connection with staff departures.

¹⁵ At present the average salary cost per full time equivalent employee varies between the three dioceses, reflecting the different staff structures and salary scales.

- 4.4.13 So, in our estimates we have thought it reasonable to include a figure of 10% for staff savings. This is at the cautious end of the scale and, in the experience of some Dioceses Commission members, it should by the end of the transitional process be possible to do better than this. But it seems better at this stage not to assume larger savings than this. The significant point is that even on this relatively prudent assumption the cumulative savings within a few years will be significant.
- 4.4.14 It is essential and right that decisions about the staffing structure for the new diocese are taken locally. It is inevitable that it will take some time for those in the new diocese to decide on the most appropriate staffing structure to deliver its emerging priorities and thus any estimate of staff savings and restructuring costs can only be illustrative at this stage. It is also recognised that 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 Commission considers that its central assumption for this estimate should be that a 10% reduction in staff costs will be realised within several years, amounting to a saving of £340,000 p.a. In the summary and conclusion, for the purposes of illustration it has been assumed that the assumed 10% reduction in staff numbers will take place evenly over five years.
- Illustrative eventual annual savings in salary costs (dependant on local decisions): £340,000 p.a.
- 4.4.15 Part of the restructuring process will be preparing job descriptions for the new posts. Once this has been done there will need to be a process to appoint staff to posts in the new diocese, having due regard to the Transfer of Undertakings (Protection of Employment) Regulations (TUPE). The Commission understands that the existing dioceses intend to discuss the emerging plans with staff at appropriate stages to understand their aspirations, concerns and future plans; that the talents and skills of many will be needed both in the new diocese and in the preparation and transition stages; and that redundancy will only be considered as a last resort. The extent of any potential reduction in the number of staff posts can therefore only be conjecture at this stage. Recognising the timescale over which it is likely that the eventual staff reductions outlined above would take place, the Commission expects the majority of the reductions would occur by staff retiring or moving to alternative employment. However, for purely illustrative purposes, it is considered prudent to include an estimate of redundancy costs which might become payable. This has been made on the basis that staff paid 5% of the combined annual salary bill might be made redundant.
- 4.4.16 It is understood that none of the standard contracts for the three dioceses contains a specific provision for redundancy payments, so it has been assumed that any such payments would be based on the statutory entitlement, although the dioceses may decide that such payments would exceed this level. The contractual entitlement for some bishops' staff is in excess of the statutory minimum. The statutory entitlement is based on weekly pay up to a maximum (from 1 February 2011) of £400 per week. This provision is:
- 0.5 week's pay for each full year of service at age under 22
 - 1 week's pay for each full year of service between the ages of 22 and 40
 - 1.5 week's pay for each full year of service from age 41
- 4.4.17 An estimate has also had to be made for the average length of service and it has been assumed this might be 15 years. On these assumptions the illustrative redundancy costs, to be met by the dioceses, would be up to £72,000. 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 (which have not been investigated at this stage). In addition the figure would be lower if some posts were vacated by natural wastage or redeployment.

4.4.18 Redundancy payments for any bishops' staff would be the liability of the Church Commissioners. This is estimated at up to around £28,000. Such payments might be recouped from the block grant to support senior clergy ministry. However, as stated in paragraphs 1.7 and 2.6, the Commission hopes that the Commissioners will be willing to view the savings and costs as a result of the scheme globally, so that the overall result of the scheme will be a financial gain for the new diocese, its parishes and the Commissioners.

- Illustrative redundancy costs: up to £100,000 (dioceses: £72,000, Church Commissioners: £28,000)

4.4.19 For the avoidance of doubt, although Article 17(1)(g) and (h) of the draft Reorganisation scheme provide for the abolition of the offices of diocesan secretary and diocesan director of education in each of the former dioceses, as these staff are employees, the extent of any compensation payable to them will be determined by their contracts and/or statutory redundancy provisions and not by the Compensation Rules.

4.4.20 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 but the level and length of such entitlement will depend on contractual arrangements. The amount of such payments (if any) will depend on individuals' circumstances as well as their contractual arrangements and whatever policy the new diocese determines for these payments. For illustrative purposes if 50 individuals were reimbursed for an average additional journey of 10 miles¹⁶ each way at the public transport rate of 30p per mile, assuming 220 travelling days per year would result in aggregate costs of around £65,000 p.a. In the estimate it has been assumed for illustrative purposes that the new diocese might decide to reimburse extra travel costs on this basis for one year.

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

4.4.21 In time the new diocese may decide to seek to harmonise existing employees' terms and conditions. This could include factors such as pay, arrangements for annual leave and sick leave and pension benefits (the lay staff in the existing three dioceses are accruing benefits under eight different arrangements). Such a project would have an overall cost in staff time and an implementation cost or saving in respect of each charge. It is not feasible to estimate the effect of this due to the wide range of options which could proceed, subject to regulation and/or consultation with affected staff.

4.5 *Existing contracts*

4.5.1 Although a detailed assessment has not been made, the three existing dioceses will have a variety of contracts in respect of a range of services. These are likely to have different termination dates but will, over time, offer opportunities for review. The new larger, diocese may be able to achieve lower aggregate prices for a range of goods and services required to carry out its functions and provide services to its parishes including the areas of banking and audit (aggregate audit fees paid in 2010 were £47,000). However, for the sake of prudence, no such savings are factored into this estimate.

¹⁶ According to the AA the distance between Bradford and Leeds is 9½ miles and the distance from Wakefield to Leeds is 13 miles.

5. Current financial situation of the three dioceses

5.1 Introduction

5.1.1 Set out below is an aggregate of the financial statements for the three existing Diocesan Boards of Finance (DBFs) for the past five years. Bradford and Ripon & Leeds DBFs jointly own their Education company and each 50% share is consolidated into their DBF accounts. Thus, to provide a consistent summary, Wakefield Diocesan Board of Education has been included in the summary¹⁷.

5.1.2 The three dioceses' external auditors have all issued unqualified audit opinions on the 2010 financial statements and have not raised any issues or concerns about their ability to continue as a going concern.

5.2 Income and expenditure and statement of financial activities

5.2.1 The table below shows a summary of income and expenditure for the three dioceses. It includes all restricted, endowment and designated funds as well as unrestricted funds. Further detail, including the 2010 figures by individual diocese is set out in **Annex 5**.

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

5.2.2 In the past five 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. has been more than offset by overall net realised gains on assets held averaging £3.0 million p.a.

5.2.3 Such an aggregation provides a reasonable guide to what a combined entity would have looked like but is necessarily an estimate as the dioceses have different accounting policies in some areas. Perhaps most significant is the valuation policy for parsonage houses and whether or not depreciation is charged on such assets. The following approaches are used:

- Bradford holds its parsonage house assets at their deemed value as at 31 December 2005. Since then depreciation has been charged at 2% p.a., totalling £3.3 million.
- Ripon & Leeds charges annual depreciation on these assets at 2% p.a. Depreciation totalled £2.6 million over the past five years, but this is usually written back when properties are revalued every five years (with revaluation included in other recognised gains and losses) and the most recent valuation was carried out as at the end of 2008.
- Wakefield holds such assets at the DBF's estimate of market value (with a formal revaluation every five years, the most recent of which was at the end of 2008) and does not charge annual depreciation.

¹⁷ Wakefield Diocesan Church Organisation Society (2010 income and expenditure: £6,000) has been excluded on grounds of materiality.

- 5.2.4 It is also relevant to note that the expenditure figure includes one-off grants in respect of sponsorship of new Church schools and academies (rather than smaller grants to existing institutions) of £1.9 million over the five year period.
- 5.2.5 If depreciation and grants to schools and academies are excluded, incoming resources would have exceeded resources expended by an average of £0.4 million over the five year period (before realised gains on assets are taken into account) which gives some reassurance regarding the financial viability of the combined entity.
- 5.2.6 The main source of income in the three dioceses is parish contributions, representing 60%, 61% and 62% of the dioceses' total income in 2010 and 61% in aggregate¹⁸. The next three largest income sources were grants from the Archbishops' Council (16% of total income in 2010), investment income (7%) and other income including fees from chaplaincies (5%). Although it provides reassurance that over the past five years income has exceeded expenditure if one off education grants and depreciation of parsonage houses are excluded, ensuring continuing and sustainability of the main income sources – most notably parish contributions – will be essential to ensure the financial viability of the new diocese.
- 5.2.7 Unsurprisingly, the main use of funds was resourcing ministry and mission respectively 82%, 84% and 88% of total resources expended in 2010 and 85% overall¹⁹. The next three largest uses of funds were education (5% of total resources expended in 2010), contributions to the Archbishops' Council (4%) and grants (3%).
- 5.2.8 It is also instructive to look at the position on the three DBFs' unrestricted funds which in aggregate have increased by an average of 3.6% p.a. since the start of 2006. A summary is set out below with further details, including the 2010 figures by diocese, are set out in **Annex 6**.

Table 4: Summary of Aggregate Unrestricted General Funds: statement of financial activities					
	2006	2007	2008	2009	2010
	£000	£000	£000	£000	£000
Incoming resources from generated funds	17,469	17,881	19,147	18,947	19,244
Incoming resources from charitable activities	1,335	1,831	1,451	1,497	1,291
Total incoming resources	18,804	19,712	20,598	20,444	20,535
Cost of generating funds	198	145	152	168	194
Charitable activities	18,446	19,179	20,167	20,132	20,651
Total resources expended	18,644	19,324	20,319	20,300	20,845
Net incoming/(outgoing) resources before transfers	160	388	279	144	(310)
Gross transfers between funds	(155)	314	148	433	406
Net income/(outgoing) resources before other recognised gains and losses	5	702	427	577	96
Realised gains/(losses)	245	(25)	169	-	-
Unrealised gains/(losses)	99	(3)	(171)	62	354
Net movement in funds	349	674	425	639	450
Total funds at 1 January	10,962	11,311	11,985	12,410	13,049
Total funds at 31 December	11,311	11,985	12,410	13,049	13,499

¹⁸ The aggregate and the figure for Wakefield diocese include Wakefield DBE.

¹⁹ Again, these figures include Wakefield DBE.

5.3 Balance sheet

5.3.1 An aggregation of the three DBFs' balance sheets at the last five year ends is set out below.

Table 5: Aggregate Balance sheets as at 31 December									
	2006 Total £000	2007 Total £000	2008 Total £000	2009 Total £000	2010 Bradford £000	2010 Ripon & Leeds £000	2010 Wakefield DBF £000	2010 Wakefield DBE £000	2010 Total £000
Fixed Assets									
Tangible assets	134,127	134,429	140,784	139,140	35,287	52,775	49,195	348	137,605
Investments	36,963	38,097	29,669	29,895	2,063	20,800	7,306	2,081	32,250
	171,090	172,526	170,453	169,035	37,350	73,575	56,058	2,429	169,855
Current Assets									
Stock	25	21	22	-	-	-	-	-	-
Debtors	2,763	3,016	3,512	3,329	1,065	377	131	510	2,083
Cash at bank and in hand	2,998	2,948	3,000	2,030	515	574	576	149	1,754
Freehold properties held for sale	1,332	1,067	762	986	700	-	-	-	700
Investments	7,759	8,849	4,520	6,001	3,592	-	2,084	500	6,176
	14,877	15,901	11,816	12,346	5,872	891	2,791	1,159	10,713
Creditors: amounts falling due within one year	(8,102)	(7,535)	(4,702)	(4,140)	(780)	(649)	(1,574)	(496)	(3,499)
Net Current assets	6,775	8,366	7,114	8,206	5,092	242	1,217	663	7,214
Total assets less current liabilities	177,865	180,892	177,567	177,241	42,442	73,244	57,718	3,092	177,069
Creditors: amounts falling due after more than one year	(3,086)	(4,608)	(5,363)	(5,569)	(2,321)	(555)	(2,486)	-	(5,380)
Net assets	174,779	176,284	172,204	171,672	40,121	73,329	55,232	3,092	171,689
The funds of the charity:									
Endowments funds									
Capital funds	79,613	79,400	85,848	84,674	33,068	2,719	46,745	1,942	84,474
Restricted income funds:	68,534	69,582	60,192	60,448	1,335	57,075	1,969	-	60,379
Unrestricted Income funds:									
General funds	11,211	12,008	12,410	13,049	5,356	475	6,518	1,150	13,499
Property revaluation reserve	100	100	-	-	-	-	-	-	-
Designated funds	15,321	15,194	13,754	13,501	326	12,975	-	-	13,337
Total Funds as at 31 December	174,779	176,284	172,204	171,672	40,121	73,244	55,232	3,092	171,689

5.3.2 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.

5.4 Cashflow statement

5.4.1 An aggregation of cashflow statements for the three DBFs over the last five years is set out in **Annex 7**.

5.5 2011 budget

5.5.1 An aggregation of the 2011 budgets for the three dioceses is set out below. Although there are likely to be some differences in the categorisation of some expenditure between dioceses, this gives a reasonable illustration of what an aggregate budget might look like, albeit unadjusted for any effects of the scheme, in terms of broad categories of income and expenditure.

	Bradford £000	Ripon & Leeds £000	Wakefield £000	Total £000	%
Income					
Parish share	4,400	5,135	5,700	15,235	68
Investment and property income	269	747	369	1,385	6
Fees, grants, donations and other	420	786	551	1,757	8
Stipends and other costs recovered	120	94	-	214	1
Retreat House	250	-	-	250	1
Grants received from AC/CC	1,277	793	1,649	3,719	16
	6,736	7,555	8,269	22,560	100
Expenditure					
Clergy stipend NI and pensions	3,585	5,620	5,093	14,298	63
Clergy support and housing	1,333	1,166	1,150	3,649	16
Resourcing ministry	465	236	1,056	1,757	8
Total cost of clergy and resourcing ministry	5,383	7,022	7,299	19,704	88
Support services	563	306	503	1,372	6
National church contributions	107	173	398	678	3
Grants paid	203	52	69	324	1
Retreat House	250	-	-	250	1
Other	220	-	-	220	1
	6,728	7,553	8,269	22,548	100
Budgeted surplus	10	2	-	12	

Note: As figures in the table are to the nearest £1,000, there are some rounding differences

5.5.2 As has been mentioned earlier, gaining wide buy-in to a new parish share system (perhaps especially amongst the larger and most generous parishes) and maintaining a sufficiently high collection rate for parish share will be a key factor in the on-going financial viability of the new diocese. The Commission understands that at present the dioceses make varying levels of provision for underpayment of share within their budgets. Nevertheless, the successful management of the risk of the overall collection rate falling below a critical level will be vital.

5.5.3 One statistic which brings this into sharp focus is that the aggregate estimated net savings as a result of the scheme that it is estimated will eventually be built up represent between 6% and 7% of the current aggregate parish share for the existing three dioceses.

6. Transfer of parishes to neighbouring dioceses

This section sets out the illustrative financial effect of transferring parishes currently in the dioceses of Bradford, Ripon & Leeds and Wakefield into Blackburn, Carlisle, Durham or Sheffield.

6.1 Parish share payments

6.1.1 A different level of parish share would be likely to be requested from the parishes that would be transferred by the scheme. The parish share requested from each parish in 2010, together with an estimate of what would have been requested by the diocese to which each would be transferred by the scheme is set out in table 7 below.

Table 7: Transfer of parishes: estimated impact on parish share								
Parish	Current diocese	Benefice	New diocese	Parish share 2010			Difference	
				Requested £	Received £	Estimate in new diocese £	From request £	From received £
<i>Laithkirk</i> *	Ripon & Leeds	Romaldkirk with Laithkirk	Durham	3,445	2,250	See note 1		
<i>Romaldkirk</i>	Ripon & Leeds	Romaldkirk with Laithkirk	Durham	13,026	13,026			
<i>Bowes</i> *	Ripon & Leeds	Startforth and Bowes and Rokeby with Brignall	Durham	6,291	0			
<i>Startforth and Rokeby with Brignall</i> *	Ripon & Leeds	Startforth and Bowes and Rokeby with Brignall	Durham	13,190	13,190			
				35,952	28,466	53,000	17,048	24,534
<i>Howgill</i>	Bradford	Firbank, Howgill and Killington (note 2)	Carlisle	1,273	1,273	)	1,563 to 5,663	3,590 to 7,690
<i>Firbank</i>	Bradford	Firbank, Howgill and Killington (note 2)	Carlisle	4,137	4,137	) 12,200 to 16,300		
<i>Killington</i> *	Bradford	Firbank, Howgill and Killington (note 2)	Carlisle	5,227	3,200)		
<i>Sedbergh, Cautley and Garsdale</i> *	Bradford	Sedbergh, Cautley and Garsdale	Carlisle	55,806	50,062	) 43,400 to 57,700		
<i>Dent with Cowgill</i> *	Bradford	Dent with Cowgill	Carlisle	19,870	18,214	) 43,400 to 57,700		
		Illustrative range see note 3		86,313	76,886	99,000 to 131,700	12,687 to 45,387	22,114 to 54,814
<i>Slaidburn</i> *	Bradford	Slaidburn	Blackburn	16,435	14,135	) 14,351	(2,084)	216
<i>Saint John the Evangelist, Hurst Green*</i>	Bradford	Hurst Green and Mitton	Blackburn	26,546	20,000	) 26,227	(22,987)	(16,441)
<i>Mitton</i>	Bradford	Hurst Green and Mitton	Blackburn	22,668	22,668)		
<i>Waddington</i> *	Bradford	Waddington	Blackburn	29,785	29,785	) 49,843	20,058	20,058
<i>Grindleton</i>	Bradford	Bolton by Bowland with Grindleton	Blackburn	24,360	24,360	) 51,093	1,183	1,183
<i>Bolton by Bowland</i> *	Bradford	Bolton by Bowland with Grindleton	Blackburn	25,550	25,550)		
<i>Gisburn</i> *	Bradford	Gisburn	Blackburn	22,810	13,984	) 13,505	(9,305)	(479)
<i>Barnoldswick</i> *	Bradford	Barnoldswick with Bracewell	Blackburn	23,994	20,500	) 44,572	12,561	16,055
<i>Bracewell</i>	Bradford	Barnoldswick with Bracewell	Blackburn	8,017	8,017)		
			See note 4	200,265	178,999	199,591	(574)	20,592
<i>Penistone</i>	Wakefield	Penistone and Thurlstone	Sheffield	39,373	39,373	)	(11,656)	(6,235)
<i>Thurlstone</i> *	Wakefield	Penistone and Thurlstone	Sheffield	16,921	11,500	) 44,638		
<i>Saint Saviour, Hoylandswaine</i>	Wakefield	Hoylandswaine and Silkstone with Stainborough	Sheffield	21,786	21,786	) 42,394		
<i>Silkstone with Stainborough</i>	Wakefield	Hoylandswaine and Silkstone with Stainborough	Sheffield	36,346	36,346)		
				114,426	109,005	87,032	(27,394)	(21,973)
GRAND TOTAL				436,856	393,356	438,623 to 471,323	1,767 to 34,467	45,267 to 77,967

Notes: * indicates the parish had some arrears of parish share as at 31 December 2010.

1. Durham allocates its parish share to Deaneries which then decide how to apportion this between the parishes. Therefore, a calculation has been made for the parishes collectively as an estimated addition to the share for the Deanery of Barnard Castle.

2. Firbank, Howgill and Killington will be treated as one parish for parish share purposes from the start of 2012.

3. Carlisle do not have a formula for parish share, but ask parishes to make an offer which is realistic (i.e. affordable and reflecting costs of ministry) and generous (i.e. supporting ministry in other parishes where possible). In the Kendal deanery (into which the scheme would transfer these parishes) the offers range from 85% to 182% of ministry costs. The mean and median offers are 108% and 113% respectively. The Deanery's expectation is that all its parishes should be aiming at least to cover their costs with the deanery as a whole supporting ministry elsewhere in the Diocese. The range shown for illustration is 85% to 113% (i.e. the lowest to the median).

4. 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.

- 6.1.2 For some parishes it is evident that there would potentially be a significant change in the parish share payable following transfer to the diocese proposed. The Dioceses Commission urges early conversations (during the consultation period) between representatives of parishes which would be transferred by the scheme and ‘receiving dioceses’ to find ways in which the financial and mission aspects of the transfer could most appropriately be managed, including consideration of transitional arrangements, and the phasing of possible changes.
- 6.1.3 It should be noted that 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 (for example in 2011 Blackburn reduced its overall parish share request by 2% whereas Bradford increased its request slightly, thus narrowing the difference for those parishes which seem likely to be asked for an increase in parish share), due to changes in the underlying data and potentially due to changes in the parish share formulae. At this stage it is not possible to estimate the differences in parish share which would be requested by the new diocese and the dioceses into which it is proposed certain parishes would transfer as discussions have yet to commence on a parish share formula for the new diocese. Thus **the tentative and illustrative nature of these comparisons cannot be overemphasised.**
- 6.1.4 The significant potential difference in parish share/offer in table 7 is partially explained by different diocesan approaches to determining how much parishes should contribute. For example, the system used by Blackburn explicitly includes the clergy resource in each parish as part of a formula, whereas the system used by Bradford does not. In Carlisle, parishes are asked to make offers that reflect their finances and the cost of ministry in the parish. These offers are discussed in the deanery in the context of the plans for the deployment of ministry in the deanery.
- 6.1.5 There are measures in place in the three potential ‘receiving’ dioceses which would help to smooth any potential significant increase in parish share. However, it should be recognised that these practices might change if the diocese’s share scheme were to be reviewed, and it is possible that special arrangements might be made if the parishes were to transfer.
- In Blackburn, if any parish is unable to meet the parish share initially requested, a meeting is held with the relevant archdeacon and the diocesan secretary to assess the parish’s eligibility for access to a support fund. It is envisaged that a similar system could apply for any parishes that would be transferred to Blackburn by the draft scheme.
 - In Carlisle it is envisaged that the parish share system whereby parishes are asked to make an offer for parish share with regard to their finances and cost of ministry in the parish would help smooth the transition to a new level of contribution but the expected end point is unlikely to be different assuming a steady state position in respect of deployment.
 - In Durham, the share process includes a cap on the level of change in an individual deanery for which the guideline is normally not more than twice the diocesan increase or 5%, whichever is the greater. For example the cap for 2012 has been set at 4%, and there is no increase in the diocesan total request. However the formula has nevertheless led to a capped increase of £8,176 for the Barnard Castle Deanery in 2012. This is below the illustrative increase that would result from the transfer of parishes into the deanery which the draft scheme provides for.

- 6.1.6 The table above shows whether any of the parishes had any parish share arrears – either relating to 2010 or earlier years – as at the end of 2010. 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 owing to the original diocese or the receiving diocese.
- 6.1.7 From a diocesan perspective the change in the cost of support provided to these parishes needs to be taken into account as well as expected change in income in parish share. For this assessment a ‘standard’ cost of supporting a parish has been assumed to be £45,000 for a stipendiary minister and £12,500 for a house for duty post as set out in **Annex 8** – unless a separate figure has been provided by the diocese. It is recognised that there will be some differences between dioceses in this figure, not least due to the varying level of stipends typically paid (also shown in **Annex 8**), but these are not considered to be material in the context of the changes. (The dioceses into which the parishes would transfer would have to determine if there would be any transitional arrangements for individuals’ stipends given the variation between Diocesan Basic Stipends.)
- 6.1.8 Some of the expected changes in parish share are explained by the inevitable differences in parish share received per ‘member’²⁰, between the dioceses as set out in **Annex 4**.

6.2 *Money flows between the diocese and the National Church Institutions*

- 6.2.1 The potential effect of the transfers of parishes in respect of allocations and apportionment is set out in table 8 below. Such an assessment can only be tentative as the actual sums involved will depend on inputs to the formula which are regularly updated. Thus in practice the actual impact on grants resulting from parish transfers would take place alongside changes resulting from updated data. However, had the transfers taken place at the start of 2011 and this had been fully taken into account in the allocations for that year, the estimated effects would have been as follows:

Table 8: Estimated effect on allocations (2011 illustration)			
	Ministry support for low income dioceses £000	Mission development funding £000	Total £000
New combined diocese	(73)	(7)	(80)
Blackburn	39	2	41
Carlisle	(4)	-	(4)
Durham	8	3	11
Sheffield	30	2	32
Total	-	-	-

Note: There is no impact on Carlisle’s mission development fund grant as, even after the proposed transfer of parishes, the raw formula would give the diocese a grant less than the £40,000 p.a. minimum grant which applies to this funding stream in 2011-2013

- 6.2.2 Similarly the estimated effect on apportionment requested from the dioceses is summarised in table 9 below.

Table 9: Estimated effect on apportionment (using Archbishops’ Council’s 2011 budget)	
	Change £
New combined diocese	(8,200)
Blackburn	1,900
Carlisle	1,100
Durham	2,500
Sheffield	2,700
Total	-

²⁰ Taken to be 1/3 electoral roll plus 2/3 average Sunday attendee as used for Giving statistics, see for example Giving for Life GS 1723.

6.2.3 In addition a Guaranteed Annuity of £1,000.08 p.a. is payable by the Church Commissioners to the current incumbent of Dent with Cowgill which would move from the combined diocese to the diocese of Carlisle. This will be payable until the current incumbent leaves office but will not be payable to any successor.

6.3 *Property and Loans from the Church Commissioners*

6.3.1 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.

6.3.2 An allowance for annual maintenance costs for benefice property is included in the summary of the estimated effect of the changes from the diocesan perspective in table 12. No allowance has been made for the value of the underlying properties in the summary tables in this estimate, as it is assumed the properties will remain as clergy housing for the foreseeable future and thus there is no immediate prospect of realising capital. However, as benefice property is included in diocesan balance sheets (albeit under a variety of valuation policies) it is considered useful to set out the estimated change in balance sheet values that would occur if the 'receiving diocese' took the properties onto its balance sheet at the end 2010 value in the current diocese's balance sheet²¹. These are estimated at:

- Blackburn: +£2,009,000
- Carlisle: +£1,008,000
- Durham: + £425,000²²
- Sheffield: +£567,000
- New diocese: -£4,009,000

6.3.3 It has been established that no loan is outstanding from the Church Commissioners to any of the dioceses in connection with property in the parishes which would be transferred by the scheme.

6.3.4 As far as the Dioceses Commission is aware there is only one outstanding loan made by the dioceses to any of the parishes which would be transferred by the scheme. Bradford DBF has made a loan to Bolton by Bowland and, at the time of writing, it is understood that £20,000 is outstanding. If all or part of the loan remains outstanding when the relevant provision in the scheme is brought into effect, an arrangement would need to be made to ensure Bradford DBF / the new diocese can recover this amount either from the parish or from Blackburn DBF.

²¹ Valuation methods are set out at paragraph 5.2.3

²² This excludes £418,000 from the proceeds of the Startforth Rectory pending the outcome of a pastoral scheme.

6.4 Glebe

6.4.1 Article 16(3) of the scheme would transfer any glebe wholly situated in the parishes to be transferred by the scheme to the dioceses into which the parishes transfer. This is consistent with the action taken when parishes have been transferred under the Pastoral Measure and under the Dioceses Measure 1978. The impact on the capital value of glebe and the annual rents received by each affected diocese is included in the following table.

	End 2010 value of glebe which would be transferred £000	2010 income from glebe which would be transferred £000 p.a.
Bradford to Blackburn	29	2
Bradford to Carlisle	45	4
Ripon & Leeds to Durham	14	-
Wakefield to Sheffield	56	1
Total combined diocese	(144)	(7)

Note: The Bradford to Carlisle figure excludes property which has recently been developed. It is assumed that this will be sold to enable Bradford to realise the benefit from its investment.
The Ripon and Leeds to Durham figure excludes a glebe house which is being used to temporarily house a priest in charge pending pastoral reorganisation.

6.5 Diocesan Stipends Fund (DSF) capital

6.5.1 Articles 16(15) and 16(16) of the draft scheme would transfer a proportion of the DSF capital balances of Bradford, Ripon & Leeds and Wakefield to the four dioceses into which certain parishes would transfer, based on the proportion of benefices to be transferred. This action is consistent with the action taken in the two reorganisation schemes made under the Dioceses Measure 1978²³. The proportions are Bradford 8.74% (3 benefices to Carlisle, 6 benefices to Blackburn), Ripon & Leeds 1.83% (2 benefices to Durham) and Wakefield 1.38% (2 benefices to Sheffield). Based on DSF capital balances as at 31 December 2010 and income received in 2010 and number of benefices in the dioceses as at 30 September 2011²⁴, the financial effect of the transfers would be as set out in the table below. (It should be recognised that the actual income would depend how the funds were invested in the 'receiving' diocese and that the actual sum to be transferred would depend on prevailing market conditions).

	Capital sum to be transferred £000	Change in annual income £000 p.a.
Bradford to Blackburn	11	1
Bradford to Carlisle	6	0
Ripon & Leeds to Durham	147	8
Wakefield to Sheffield	41	2
Total combined diocese	(205)	(11)

²³ These were the transfer of the Croydon Archdeaconry from Canterbury to Southwark and the transfer of the Himley Deanery from Lichfield to Worcester.

²⁴ These figures are: Bradford 103 benefices, Ripon & Leeds 109 benefices and Wakefield 145 benefices and are all slightly lower than the end 2010 figures set out in Church Statistics 2009/10 following pastoral reorganisations in 2011.

6.6 *Trust funds*

- 6.6.1 At national level there are no trust funds held specifically for the benefit of parishes and benefices that would be transferred by the scheme.
- 6.6.2 However, there are several trusts held at diocesan level for the benefit of parishes. In most cases the income is passed directly to the parish so it is assumed that the diocese acts as custodian trustee. It has been assumed that there will be no net change to diocesan income as a result of trusts where the custodian or managing trustee role passes to the diocese in which the parish will be transferred.
- 6.6.3 As a result of the abolition of tithes by the Tithes Act 1936, a diocese may hold funds on behalf of several parochial church councils. There is just one such holding in respect of the parishes which would be transferred to a neighbouring diocese by the scheme: around £150 relating to Gisburn which is currently in the diocese of Bradford. The custodianship of these funds would pass to Blackburn diocese as a result of the scheme.

6.7 *Church schools*

- 6.7.1 There are nine Church schools with links to the parishes proposed for transfer. The number of schools with links to parishes which would be transferred to each diocese are: 4 in Blackburn, 1 in Carlisle, 2 in Durham and 2 in Sheffield. The Dioceses Commission understands that there are two loans outstanding from the joint Bradford / Ripon and Leeds Board of Education from parishes that the draft scheme would transfer to Blackburn and Carlisle with sums outstanding being £36,000 (Bolton by Bowland with Grindleton) and £10,000 (Dent with Cowgill) respectively.

6.8 *Ongoing casework*

- 6.8.1 There are no current closed churches cases in the parishes that would be transferred by the scheme. The only historic case is Roxeby St Mary, located in a benefice which the scheme would transfer to Durham which was sold in 2009. There is not expected to be any on-going financial liability for this closed church.
- 6.8.2 There are no current Pastoral schemes relating to the parishes or benefices which would be transferred by the scheme.
- 6.8.3 The Commission is not currently aware of any on-going clergy discipline or faculty dispute cases in the parishes which 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, but it is not possible to quantify that.

6.9 Summary of estimated changes from a diocesan perspective

6.9.1 Set out in table 12 below is a summary of estimated changes in annual income and expenditure which would result from the transfer of parishes from a diocesan perspective. There may also be changes relating to budgets for readers, lay training, support funds for parishes, faculty costs and travel costs as well as the possibility of additional costs in relation to ordinands (much of which will continue to be shared between all dioceses under the pooling mechanism for ordinands maintenance costs) and curates.

	Combined diocese £000 p.a.	Blackburn £000 p.a.	Carlisle £000 p.a.	Durham £000 p.a.	Sheffield £000 p.a.
Parish share	(393)	185	99 to 132	53	87
Cost of ministry	410	(158)	(117)	(45)	(90)
Income from DSF capital	(11)	1	0	8	2
Glebe rents	(7)	2	4	-	1
Grants from NCIs	(80)	41	(4)	11	32
Apportionment	8	(2)	(1)	(2)	(3)
Total	(73)	69	(19) to 14	25	29

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.
Parish share income received by the dioceses of Bradford, Ripon and Leeds and Wakefield in 2010 is compared with the estimated request from dioceses into which the parishes would transfer (less £15,000 for Blackburn relating to estimated council tax and water rates payable direct by parishes.

6.9.2 Thus it is estimated that from the new diocese's perspective, as a result of the parish transfers, the reduction in receipts from parish share, NCI grants and glebe rents is likely to exceed the reduced cost of ministry and the apportionment request.

6.9.3 From the perspective of the dioceses into which the parishes would transfer:

- For Blackburn, Durham and Sheffield, 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.
- It is not straightforward to make such an estimate for Carlisle as their parishes are asked to make a reasonable and generous offer recognising the cost of ministry in the parish and parish resources rather than meet a parish share request. If in aggregate the offers were to be at or above the median (or indeed the mean) offer for the deanery of Kendal into which the parishes would transfer and were met in full, the diocese would receive a modest sum to use for other purposes. However, if the offers were to fall below the cost of ministry in the parishes, the diocese would see a net increase in costs as a result of the transfers.

7. Risk considerations

- 7.1 It is considered that a risk assessment should be linked to the decision making process regarding identified objectives. Risks should be owned and managed by identified individuals. In respect of many aspects of the implementation of the scheme it is considered to be too early in the process to compile a risk register as the objectives have yet to be defined. Much of this work will be done by the Preparation Group and it is recommended that this Group establish a risk management procedure 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.
- 7.2 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.
- 7.3 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 in time which could be used to enhance diocesan mission and / or reduce parish share giving parishes the opportunity to enhance local mission.
 - Greater level of resources available than in any of the existing dioceses to respond to emerging and developing local needs and issues including improved ability for handling large projects (see also separate statement on the effect of the proposals, if implemented, on the mission of the Church of England).
- 7.4 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.
 - The inevitable period of uncertainty for clergy, staff and parishes.
 - The requirement for initial investment in respect of up-front costs (e.g. systems transition, compensation for loss of office / post).
- 7.5 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 focus on front-line issues maintained at current level.
- 7.6 The most **significant disadvantages of not proceeding with the scheme** are considered as:
- Perceived weakness in the long-term viability of current structures and the opportunity cost of continuing with them will be perpetuated.
 - Likely to stifle prospects for future change within the dioceses and elsewhere.
 - Continued mismatch between the Church's diocesan structures and those of civic and socio-economic life in West Yorkshire and the Dales.

8. Conclusion

- 8.1. The requirement to produce this financial estimate has inevitably required the Dioceses Commission to look at a whole range of issues, some 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 of how these aspects might be developed but these should be regarded as having **illustrative status only**.
- 8.2. Set out in table 13 is an estimate of the **on-going annual costs and potential savings** (including an annualised figure in situations where there is likely to be a saving every few years) that we estimate might be achieved once the scheme has been fully implemented. In some cases it may be some time before the savings are fully realised.

Paragraph	Description	Dioceses £000s	Archbishops' Council £000	Church Commissioners £000	Total £000s
A. Direct consequences of scheme					
3.1.2	Fewer Diocesan Bishops' appointments (ten year figure annualised)	(4)	(1)	(1)	(6)
3.2.15	Lower overall stipend and office and working costs for senior clergy	(319)	-	-	(319)
3.2.25	Senior clergy (bishops' and archdeacons') housing maintenance and running costs	24	-	(75)	(51)
3.4.4	Annual Fee for new Diocesan Registrar	(9)	-	(6)	(15)
6.4.1	Parish transfers: glebe rents	(7)	-	-	(7)
6.5.1	Parish transfers: income from DSF capital	(11)	-	-	(11)
Sub total of section A		(326)	(1)	(82)	(409)
B. Dependent on decisions to be taken by the Preparation Group and others in the existing dioceses / new diocese					
4.3.6	Clergy stipends	Between 0 and 185	-	-	Between 0 and 185
4.4.6	Running cost of diocesan offices	(95)	-	-	(95)
4.4.14	Illustrative salary costs saving from restructuring	(340)	-	-	(340)
Sub total of section B		Between (250) and (435)	-	-	Between (250) and (435)
TOTAL		Between (576) and (761)	(1)	(82)	Between (659) and (844)

8.3. Set out in table 14 below is a summary of the estimated **one-off costs and potential savings** identified in this report based on the assumptions made by the Dioceses Commission.

Table 14: Summary of estimated one-off costs and (savings) involved in implementing the scheme by responsible body						
Paragraph	Description	Dioceses £000	Archbishops' Council £000	Church Commissioners £000	Pensions Board/ Pension schemes £000	Total £000
A. Direct consequences of scheme						
3.1.1	Appointment of new diocesan bishop (note 1)	20	4	7	-	31
3.2.7	Compensation potentially payable to clergy office holders	57	-	188	-	245
3.2.25	Capital investment in senior clergy (bishops' and archdeacon's) housing	1,000	-	(1,800)	-	(800)
3.3.4	Compensation potentially payable to Chancellors	10	-	-	-	10
3.4.4	Compensation potentially payable to Registrars	56	-	41	-	97
3.5.1	Clergy pensions: section 75 debt (note 2)	Between 15 and 0	-	-	Between 15 and 0	15
3.5.2	Staff pensions: section 75 debt (note 2)	Between 15 and 0	-	-	Between 15 and 0	15
6.4.1	Parish transfers: glebe	144	-	-	-	144
6.5.1	Parish transfers: DSF capital	205	-	-	-	205
	Sub total of section A	Between 1,492 and 1,522	4	(1,564)	Between 0 and 30	(38)
B. Dependent on decisions to be taken by the Preparation Group and others in the existing dioceses / new diocese						
1.3	Provision for the sub £5,000 costs and savings	25	-	-	-	25
4.1.10	Transition costs (note 3)	500	-	-	-	500
4.4.7	Office accommodation: removals	50	-	-	-	50
4.4.9	Extra HR costs re formulating new staff structure and associated work	20	-	-	-	20
4.4.18	Illustrative redundancy payments	72	-	28	-	100
4.4.20	Illustrative reimbursement of additional travel costs	65	-	-	-	65
	Sub total of section B	732	-	28	-	760
	TOTAL	Between 2,224 and 2,254	4	(1,536)	Between 0 and 30	722
	TOTAL REVENUE COSTS	Between 875 and 905	4	264	Between 0 and 30	1,173
(note 4)	TOTAL CAPITAL COSTS	1,349	-	(1,800)	-	(451)
Notes:						
1. Plus an estimated £5,000 in staff time (Church Commissioners)						
2. Plus an estimated £3,000 in staff time (Pensions Board) in each case						
3. The Church Commissioners have indicated that they may provide some assistance for this aspect of the implementation of the scheme.						
4. The capital cost is defined as the investment in or realisation from senior clergy housing (3.2.25), the transfer of glebe within parishes to be transferred to neighbouring dioceses (6.4.1) and the proportionate transfer of DSF capital (6.5.1). It is recognised that in accounting terms some of the transition costs may be capitalised, but these are deemed to be revenue costs for the purposes of this table as they are likely to be written off to expenditure over a period of several years.						

8.4. Set out in table 15 below is a summary of the expected one-off capital and revenue costs together with the estimated eventual on-going annual costs and savings. The resulting pay-back period which would result from these estimates (in simple terms as no adjustment has been made for the time-value of money given the timing of most aspects is uncertain) is also set out both for the revenue costs alone and the total cash requirement which includes the estimated net capital investment of £1 million in senior clergy housing by dioceses and net capital realised from senior clergy housing of £1.8 million by the Church Commissioners.

Description	Dioceses £000	Archbishops' Council £000	Church Commissioners £000	Pensions Board / Pension scheme £000	Total £000
One-off capital requirement / (receipt)	1,349	-	(1,800)	-	(451)
One off net revenue costs	875-905	4	264	0 – 30	1,173
Eventual net annual savings	576-761	1	82	-	659-844
Estimated payback period for revenue costs	14 months – 19 months	n/a	3¼ years	n/a	17 months – 21 months
Estimated Payback period for total costs	3 years – 4 years	4 years	n/a	n/a	10 months – 13 months

8.5. On the assumptions that have been made, from a **total Church perspective**:

- The estimated net one-off revenue costs are broadly equivalent to between 17 and 21 months' estimated annual savings once fully realised;
- If the estimated overall net capital receipts of £0.8 million from senior clergy housing are included, the one-off costs are estimated at approximately one year's savings once fully realised.

8.6. From a purely **diocesan perspective** again on the assumptions made:

- The ultimate net annual savings are estimated at up to 19 months' net one-off revenue costs for preparing for the scheme and implementing it;
- If the saving in staff salary costs built up evenly over five years, accumulated savings are estimated to exceed one-off revenue costs within between two and three years;
- If the estimated requirement of £1.0 million for net investment in senior clergy housing is included, total one-off costs would represent between three and four years of ultimate savings; and
- If the saving in staff salary costs built up evenly over five years, accumulated savings are estimated to exceed total one-off costs within between four and five years.

8.7. From the Church Commissioners' perspective:

- the net annual savings are estimated to exceed the net one-off revenue costs of preparing for and implementing the scheme within around 3¼ years; and
- if the estimated capital receipt of £1.8 million from senior clergy housing is included, the Commissioners would receive an estimated one-off net receipt of £1.5 million in addition to making annual revenue cost savings.

8.7 However, as stated in paragraphs 1.7 and 2.6, the Commission hopes that the Church Commissioners will be willing to view the savings and costs arising from the scheme globally and so will be able to make some additional funding available to assist with the extra costs the new diocese will face in respect of transition and housing the new area bishops. Thus it is hoped that the overall result of the scheme will be a financial gain for the new diocese, its parishes and the Commissioners.

8.8 This assessment is inevitably heavily dependant on the assumptions made, the most significant of which are considered to be:

- The cost of preparation and implementation of a transition plan and new arrangements (e.g. in respect of new systems, staff structure etc).
- Office and working costs for area bishops in the new diocese will be in line with the national average.
- The cost of office accommodation for the new diocese will be no more than the current arrangements for the dioceses of Bradford, Ripon and Leeds and Wakefield.
- Compensation payable to clergy office holders whose offices are abolished will be payable for one year.
- Reductions in administrative staff supporting the work of the diocesan office and bishops will occur over a period of five years as the priorities of the new diocese and the most suitable staffing structure to support its mission become clear. But, as a central estimate, it is assumed that ultimately salary costs will be 10% lower than at present. The reduction in the overall number of administrative staff will, as far as possible, be achieved by natural wastage (i.e. retirements, redeployment and staff finding alternative employment).
- The capital sums assumed to be invested in and realised from senior clergy housing.

8.9 The Dioceses Commission recognises that the estimates are likely to change as a result of updated information and decisions made by the Preparation Group and others working towards the establishment of the new diocese of Leeds. **A revised financial estimate will be made to accompany the draft scheme if a scheme is published for consideration by the relevant diocesan synods.**

8.10 In this summary it has been shown that eventually annual costs for the new diocese of Leeds are estimated to be between £0.7 million and £0.8 million lower than for the existing three dioceses of Bradford, Ripon and Leeds and Wakefield. The majority of these savings are expected to accrue to the new diocese. This has the potential to feed through to a lower parish share request which in turn would have the potential to release resources for other mission purposes within the diocese and/or the parishes.

**ITEMS CONSIDERED WHERE COSTS OR SAVINGS ARE LIKELY TO BE
BELOW £5,000**

1. Set out below are items we have considered where, on the assumptions made, estimated costs or savings are likely to be below the threshold of £5,000.
 - Dissolution of existing dioceses (Article 3).
 - The consequent dissolution of diocesan bodies (Article 15) and winding up of corporate and charitable entities in the existing dioceses (see list in annex 2).
 - The establishment of new entities required for any English diocese²⁵ and registering new charities with the Charity Commission and new corporate entities with Companies House.
 - Any additional travel costs for meetings of the college of canons for the three cathedrals (Article 7(3)).
 - There would be no change to the distribution of grants made by the Commissioners to cathedrals under section 23 of the Cathedrals Measure 1999 as a consequence of the scheme as Article 7(1) of the scheme specifically states that the cathedrals of Bradford, Ripon and Wakefield would all be cathedrals of the new diocese.
 - The transfer of property, trusts and trusteeships held by the existing three dioceses or office holders in those dioceses to the new diocese or office holders in the new diocese, (which would automatically take place when Article 16 is brought into force).
 - The transfer of records relating to the dioceses to be abolished (Article 19) as the majority of historic records are held in County Records Offices and it is not envisaged they will need to be moved.
 - The abolition of consistory courts of the dioceses to be abolished and for transferring pending proceedings (Article 20).
 - Making initial appointments to and making provision for the election of members of all boards, committees and similar bodies that it is decided the new diocese shall have.
 - Travel costs of trustees and other members of such bodies (recognising that the Preparation Group will need to have regard to size of such bodies and ensuring adequate representation in determining their composition. It has been assumed that increased travel costs for some individuals will be offset by the membership of such bodies being less than that for the current three dioceses taken together, resulting in a similar level of costs to the present situation).
 - The likely savings in making future appointments and holding future elections for one set of diocesan bodies rather than three.
 - Travel expenses of Archdeacons and Area Deans in the new diocese compared with the current situation.
 - Costs reasonably incurred by those entitled to claim compensation in preparing and making their claim.
 - The saving resulting from the annual retainer paid to the Chancellor of the new diocese compared with that paid to the current three Chancellors.
 - The impact on other charitable organisations working in the dioceses to be abolished (as there are few charitable or corporate bodies specifically associated with these dioceses alone and any charities with informal diocesan structures will have to take their own decisions whether they need reform).

²⁵ i.e. a Diocesan Board of Finance (which must be a company), a Diocesan Board of Education (which may be a company), a Mission and Pastoral Committee, a Diocesan Board of Patronage, a Parsonages Board (which may be the DBF) and a Diocesan Advisory Committee.

EXISTING DIOCESAN ORGANISATIONS REGISTERED WITH THE CHARITY COMMISSION AND COMPANIES HOUSE

1. Set out below is a list of registered charities and companies compiled following searches on the relevant websites and liaison with diocesan officers.
2. The list does not include less formal arrangements, some of which have been referred to in comments made in our report:
 - A. Diocesan registered charities (per Charity Commission website)
 1. Bradford Diocesan Board of Finance (247856)
 2. Bradford Diocesan Board of Education (1070206)
 3. Bradford Diocesan Council for Social Aid (226436)
 4. Ripon and Leeds Diocesan Board of Finance (249860)
 5. Ripon and Leeds Diocesan Council Social Concern (1065423)
 6. Wakefield Diocesan Board of Finance (249315)
 7. Wakefield Diocesan Church Organisation Society (254726)
 8. Wakefield Diocesan Board of Education (507879)
 9. Wakefield Diocesan Family and Social Welfare Council (1008834)
 - B. Corporate entities (per Companies House website)
 1. Bradford Diocesan Board of Finance (00174695)
 2. Educational Development Limited (05529752: set up to provide Educational services jointly owned by the Diocese of Bradford and Diocese of Ripon and Leeds)
 3. Ripon and Leeds Diocesan Board of Finance (00174297)
 4. Ripon and Leeds Diocesan Council for Social Concern (03286672)
 5. Wakefield Diocesan Board of Education (00551800)
 6. Wakefield Diocesan Board of Finance (00245111)
 7. Wakefield Diocesan Church Organization Society (00040594)

Note: Bradford Diocesan Board of Education Developments Company was dissolved in 2009.

 - C. Other registered charities which may have a diocesan identity (per Charity Commission website) although these charities are not the responsibility of the dioceses: it will be for the trustees of each charity to decide if any changes (such as merger or widening of objects) are desirable in the light of the scheme.
 1. Bradford Anglican Cursillo (1064445)
 2. Ripon and Leeds Anglican Cursillo (1077827)
 3. Wakefield Anglican Cursillo (1048862)
3. This list does not include corporate bodies than are not registered with Companies House or other entities that a diocese is required to have. Such entities are: Mission and Pastoral Committee, Diocesan Board of Patronage, Parsonages Board (the DBF can be designated as the Parsonages Board) and Diocesan Advisory Committee.

SYSTEMS CURRENTLY IN USE IN THE DIOCESES

Table 16: Current information and management systems			
Purpose	Bradford	Ripon & Leeds	Wakefield
PCs/laptops	Microsoft office	Windows 7/Office 2010	Office
Servers		Microsoft Hyper Platform Ventilation	
Accounting	SunSystems 4.2.6/Advance Enquiry 6.2.4-1/Quick books	SunSystems 4.3.3	Pegasus Opera v.2 Microsoft Access database
Property Management		Property management terrier software (linked to SunSystems)	
Document management		INVU	
Backup software		Restore safe	Tape back up used
Banking	Barclays Business Master		BACS software
Payroll	Earnie		
Staff car loans	Cargen		
Gift aid	Donations Coordinator (Data Developments)		
Mapping	Mapping from Dotted Eyes		
Diocesan databases	Microsoft Access and diocese developed by Aabee Computing		
Library	Heritage		

PARISH SHARE AND GIVING STATISTICS

(i) Parish share statistics

Diocese	Per member		Per average Sunday attendance	
	£ p.a.	Rank	£p.a.	Rank (2009)
Bradford	417	3	442	3
Ripon & Leeds	382	12	422	10
Wakefield	382	11	442	4
Combined average for new diocese	391	7	435	6
National average	348	n/a	387	n/a
Blackburn	333	29	378	27
Carlisle	355	20	416	14
Durham	303	39	336	38
Sheffield	341	25	358	32

Note: 2009 figures are quoted as this is the most recent year for which membership figures are available on a consistent basis.

(ii) Giving statistics

Diocese	% of estimated average income		Average weekly income per tax efficient planned giver		
	%	Rank	£	Rank	Change since 2003 % p.a.
Bradford	4.3	1	11.83	10	5.6
Ripon & Leeds	3.2	23	8.96	25	3.9
Wakefield	3.3	22	9.19	20	4.2
Combined average for new diocese	3.6	7	9.82	17	4.6
National average	3.4	n/a	10.06	n/a	4.7

Note: 2009 figures are quoted as this is the most recent year for which full data is available on a consistent basis.

AGGREGATE STATEMENT OF FINANCIAL ACTIVITIES 2006-2010: TOTAL FUNDS

Table 18: Aggregate Statements of Financial Activities 2006-2010									
	2006	2007	2008	2009	2010	2010	2010	2010	2010
	Total	Total	Total	Total	Bradford	Ripon & Leeds	Wakefield DBF	Wakefield DBE	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Incoming resources from generated funds:									
Grants and donations	63	71	66	73	-	-	-	60	60
Parish contributions	13,303	13,535	13,917	13,759	3,905	4,774	5,263	-	13,942
Archbishops' Council	3,050	3,120	3,627	3,643	1,248	817	1,571	-	3,636
Other	705	816	763	639	210	459	226	-	895
Activities for generating funds	294	341	632	492	108	277	219	-	604
Investment income	1,810	2,389	2,120	1,697	156	1,025	316	153	1,650
Incoming resources from charitable activities:									
Statutory fees, chaplaincy / other income	1,026	1,051	1,084	1,102	372	311	366	-	1,049
Diocesan Retreat House	212	219	237	257	257	-	-	-	257
Education and training courses	11	26	19	22	-	-	-	11	-
Other incoming resources	760	1,780	698	894	251	59	168	343	721
Total incoming resources	21,234	23,348	23,163	22,578	6,507	7,722	8,029	567	22,825
Resources expended									
Costs of generating Funds									
Cost of generating voluntary income	142	146	142	148	24	151	3	-	178
Investment management costs	61	41	40	40	15	-	24	-	39
Investment income redistributed	149	178	99	-	-	-	-	-	-
Charitable activities									
Contributions to Archbishops' Council	879	926	981	972	179	397	390	-	966
Resourcing ministry and mission	18,841	19,718	20,696	20,399	6,020	7,155	7,325	-	20,500
Education	815	858	906	940	225	369	132	410	1,136
Grants	1,404	407	836	1,329	-	624	-	-	624
Diocesan projects	310	145	40	72	77	-	-	-	77
Diocesan Retreat House	231	234	240	255	248	-	-	-	248
Governance costs	110	103	108	109	29	41	40	6	116
Other resources expended	379	574	248	2	309	-	-	-	309
Total resources expended	23,321	23,330	24,336	24,266	7,126	8,737	7,914	416	24,193
Net incoming/(outgoing) resources before transfers	(2,087)	18	(1,173)	(1,688)	(619)	(1,015)	115	151	(1,368)
Gross transfers between funds	6	(1)	5	-	-	-	-	-	-
Net incoming/(outgoing) resources before other recognised gains and losses	(2,081)	17	(1,168)	(1,668)	(619)	(1,015)	115	151	(1,368)
Other recognised gains and losses									
Gains/(losses) on fixed assets for charity own use:									
realised	3,340	265	9,498	169	-	(136)	-	-	(136)
unrealised	14,700	-	(5,092)	-	(93)	-	-	-	(93)
Gains/(losses) on investment assets:									
realised	813	1,724	(1,072)	(9)	1	(14)	306	-	321
unrealised	2,537	(624)	(6,123)	976	159	1,052	-	82	1,293
Net movement in funds	19,309	1,382	(3,957)	(532)	(552)	(85)	421	233	17
Total funds at 1 January	155,470	174,779	176,161	172,204	40,673	73,329	54,811	2859	171,672
Total funds at 31 December	174,779	176,161	172,204	171,672	40,121	73,244	55,232	3,092	171,689

**AGGREGATE STATEMENT OF FINANCIAL ACTIVITIES 2006-2010:
UNRESTRICTED GENERAL FUNDS**

Table 19: Aggregate Unrestricted General Funds: Statement of Financial activities									
	2006 Total	2007 Total	2008 Total	2009 Total	2010 Bradford	2010 Ripon & Leeds	2010 Wakefield DBF	2010 Wakefield DBE	2010 Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Incoming resources from generated funds:									
Voluntary income									
Grants and donations	63	71	66	73	-	-	-	60	60
Parish contributions	13,303	13,535	13,917	13,759	3,905	4,774	5,263	-	13,942
Archbishops' Council	2,848	2,915	3,546	3,559	1,159	817	1,571	-	3,547
Other	290	323	429	374	148	58	226	-	432
Activities for generating funds	277	329	402	480	108	256	219	-	583
Investment income	687	708	787	702	129	195	276	80	680
Incoming resources from charitable activities:									
Statutory fees, chaplaincy /other income	727	783	790	809	372	41	366	-	779
Diocesan Retreat House	212	219	237	257	257	-	-	-	257
Education and training courses	11	26	19	22	-	-	-	11	11
Other incoming resources	385	803	405	409	149	19	68	8	244
Total incoming resources	18,804	19,712	20,598	20,444	6,227	6,160	7,989	159	20,535
Resources expended									
Costs of generating Funds									
Cost of generating voluntary income	138	104	114	130	24	130	3	-	157
Investment management costs	60	41	38	38	13	-	24	-	37
Charitable activities									
Contributions to Archbishops' Council	879	926	981	972	179	397	390	-	966
Resourcing ministry and mission	16,403	17,063	17,951	17,863	5,209	5,370	7,325	-	17,904
Education	757	791	824	856	225	369	132	325	1,051
Grants	66	57	63	75	-	65	-	-	65
Diocesan Retreat House	231	234	240	255	248	-	-	-	248
Governance costs	109	103	108	109	29	41	40	6	116
Other resources expended	1	5	-	2	301	-	-	-	301
Total resources expended	18,644	19,324	20,319	20,300	6,228	6,372	7,914	331	20,845
Net incoming/(outgoing) resources before transfers	160	388	279	144	(1)	(212)	75	(172)	(310)
Gross transfers between funds	(155)	314	148	433	23	150	233	-	406
Net incoming/(outgoing) resources before other recognised gains and losses	5	702	427	577	22	(62)	308	(172)	96
Other recognised gains and losses									
realised	-	-	734	-	-	-	-	-	-
unrealised	-	-	-	(53)	204	-	-	-	204
Gains/(losses) on investment assets									
realised	245	(25)	(565)	-	-	-	-	-	-
unrealised	99	(3)	(171)	115	11	-	118	21	150
Net movement in funds	349	674	425	639	237	(62)	426	(151)	450
Reconciliation of Funds									
Total funds at 1 January	10,962	11,311	11,985	12,410	5,119	537	6,092	1,301	13,049
Total funds at 31 December	11,311	11,985	12,410	13,049	5,356	475	6,518	1,150	13,499

AGGREGATE CASHFLOW STATEMENTS 2006-2010

Table 20: Aggregate Cash Flow Statements 2006-2010									
	2006 Total	2007 Total	2008 Total	2009 Total	2010 Bradford	2010 Ripon & Leeds	2010 Wakefield DBF	2010 Wakefield DBE	2010 Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
1. Net Cash Inflow/(Outflow) from operating activities	(1,533)	(43)	(4,617)	(3,429)	(483)	(1,304)	(98)	98	(1,787)
2. Returns on investment and servicing of finance									
Interest and dividends received	1,627	1,884	1,959	1,542	215	945	282	102	1,452
Interest paid	(141)	(205)	(296)	(181)	(56)	(19)	(77)	-	(152)
Interest received	39	73	52	16				15	15
Rent received	18	27	27	21				36	36
3. Capital expenditure & financial investment									
Expenditure on purchase of tangible fixed assets	(4,162)	(4,442)	(3,686)	(2,161)	(1,331)	(51)	(653)	-	(2,054)
Sale of tangible fixed assets	5,014	3,093	1,225	2,829	1,053	645	836	-	2,534
Sale of tangible current assets	-	8,019	2,077	-	22	-	-	-	22
Purchase of investments	(4,984)	(6,571)	(1,015)	(3,452)	(19)	(1,199)	(299)	(347)	(1,845)
Sale of investments	2,384	17	-	3,913	-	1,013	-	40	1,053
Loans advanced	(148)	(1,721)	(444)	(64)	(60)	(52)	-	-	(112)
Loans repaid	183	172	211	631	982	43	118	-	1,143
4. Net cash inflow / (outflow) before financing	(1,703)	303	(4,507)	(335)	264	(5)	102	(56)	305
5. Management of liquid resources	392	(302)	194	(190)	-	-	(71)	(42)	(113)
6. Financing	1,105	610	56	360	(369)	33	(118)	-	(454)
Increase / (Decrease) in Cash	(206)	611	(4,257)	(165)	(105)	28	(87)	(98)	(262)

Estimate of cost of clergy in the dioceses and stipend levels 2011/2012

A. Cost of supporting ministry in the dioceses

1. An estimate of the costs incurred by the dioceses per full time incumbent, based on figures supplied by one of them is set out below. Account is taken of the range of stipends paid in the dioceses but it is recognised that other costs may vary. However, it is considered that the broad brush figure of £45,000 p.a. per incumbency post plus £9,000 for the opportunity cost of capital invested in clergy housing is a reasonable estimate.

	£
Stipend employers National Insurance and pension contribution	32,350-33,350
Council tax, water rates and insurance	2,500
Housing maintenance costs	4,750
Share of surveyor / property department costs	1,000
Share of costs of training, resettlement grants, clergy retirement housing and HR	3,400
	44,000-45,000

2. The estimated cost of supporting a house for duty post is £12,500.
3. In Blackburn council tax and water rates are met directly by the PCC of the parish. Thus the estimated cost of a stipendiary post in this diocese is estimated at £42,500. For the same reason the estimated cost to the diocese of a house for duty post is estimated at £10,000.
4. For Carlisle, estimates for the cost of local ministry are based on the following figures:

	Stipendiary clergy £	House for Duty £
Stipend	33,080	n/a
Housing	7,650	7,650
Curate	6,390	3,195
Other	925	925
Ordination	1,850	1,850
Lay training	770	385
Continuing ministerial education	400	400
Total	51,065	14,405

B. Summary of stipend levels 2011/2012

Table 23: Summary of stipend levels 2011/2012		
	Regional stipends benchmark £	Diocesan Basic Stipend £
Blackburn	21,900	22,525
Carlisle	21,900	22,650
Durham	22,650	22,000
Sheffield	22,740	22,740
Bradford	22,740	22,865
Ripon & Leeds	22,740	22,740
Wakefield	22,740	23,530