

LDBF 2024 Budget

Background

2024 will be the final year of the current budget cycle (2022-24) and is set amidst an ever more challenging economic context. Since 2020 the financial challenges have been significant and relentless, with reduced parish incomes resulting from the pandemic, reduced aggregate reserves, changing patterns of attendances and more recently an ongoing inflationary challenge. The combined impact of these challenges precipitated our approach to the national church for consideration of additional support for what we believe are increasingly debilitating pressures on parish finances.

During the year we saw a series of further significant challenges develop, including high levels of inflation, some of which has been driven by shortages in a variety of commodities (energy, food, raw production materials) and substantial pressures on incomes and the cost of living. These set the context for work on the 2023 budget, and presented significant challenges in how we balance pressures on costs with limited scope for stretching DBF income from existing sources.

2023 budget and financial performance

All the above said, as agreed at the Diocesan Synod in October 2022 the 2023 budget was based on a typical set of assumptions regarding Parish Share, clergy stipend increases and a range of other factors that are significantly less certain than they were pre-pandemic. Historically we had achieved an average Parish Share collection rate of around 98%, but collection during and subsequent to the pandemic has been consistently lower than this rate. We anticipated a shortfall in collection during 2023 of £1,000,000 and secured additional support from the Archbishops' Council Strategic Mission & Ministry Investment Board (SMMIB) of up to £1,000,000 to underwrite this potential shortfall.

At the Diocesan Synod in October 2023 we reported that most areas of activity were on course to meet budget for the year. However, unsurprisingly, Parish Share collection remained behind budget throughout 2024 and collection fell short by £561,000 to the end of December. We will claim the full shortfall from Archbishops' Council under the commitment made by SMMIB.

Allowing for support from Archbishops' Council for the full shortfall in Parish Share of £561,000, the overall result for 2023 was a loss of £60,577, against a budgeted surplus of £11,408, resulting in negative variance of £71,985 caused predominantly by a shortfall in funeral fee income and additional clergy housing costs beyond budget.

2024 budget

On the basis that, subject to Diocesan Synod approval, we have received further and final Sustainability funding from the national church for 2024 we have once again compiled the budget on a broadly like for like basis, factoring in known or planned changes in terms of cost (eg. clergy stipends) and known changes to funding (eg. a known reduction in Strategic Ministry Funding).

The most significant challenges in this budget are as follows:

- **Clergy Stipends:** high inflation is reducing the value of clergy stipends and adding to real pressures on clergy living standards, financial wellbeing and morale. National church indications are that there will be a recommendation of a 5% uplift in clergy stipends from April 2024. We support this recommendation.
- **Parish Share:** we have budgeted for a Parish Share increase equivalent to the increase in missional leadership costs, namely 5%.
- **Strategic Ministry Funding:** this was time-limited funding secured in 2020 to support the increase in the number of curates in the diocese. This funding began to taper off during 2023 and will end mid-way through 2024. This reduces our grant income by just under £250,000 in 2024.

Parish Share

A word on Parish Share. We recognise that it is almost certain that we will not receive 100% of requested Parish Share in 2024. We have therefore based our conversations with the national church on maintaining a cash collection rate equivalent to that anticipated in 2023. However, **we hope to improve on that cash collection rate.** Therefore, **we are asking all parishes who were unable to pay 100% of Parish Share in 2023 to increase their cash payment in 2024.** This is largely for 2 reasons:

- i. To maintain our culture of mutual support across the diocese in terms of Parish Share payments and, in particular, to continue to honour those parishes that have maintained a commitment to 100% Parish Share payment.
- ii. To maintain our credibility with the national church as we continue to work with them to secure investment in 2025 and beyond. We need to show that we remain serious about doing all we reasonably can to keep our financial house in order.

As we reported last year, Parish Share rebate is an additional complication carried forward from the 2021 and 2022 budgets. This is different from Parish

Share Credit, and was put in place to cushion parishes from the challenges of Covid while seeking to maintain a viable Parish Share position. As the level of Parish Share increased to meet changes in the costs of missional leadership, we credited parishes with an equivalent rebate so that the total amount that parishes actually paid did not increase during those two years. At some point we have to break this cycle of the amount being collected in Parish Share differing from the headline level of Parish Share. It is clear that there is now a **hard deadline of 1 January 2025** to move away from unrealistic levels of Parish Share being budgeted – we have to have a firm position from 2025 onwards that what is asked for in terms of Parish Share is what will be paid.

Budget cycle and fiscal rules

LDBF budgets are set within a three year cycle to allow flexibility between years while delivering a breakeven position over the medium term. The scale of the financial challenges arising since 2020 however, put ever greater pressure on our financial model and the assumptions upon which our budgets are based. Most significantly, the extent to which parish finances have remained under substantial pressures represents a significant challenge to the assumption that Parish Share can be paid in full at a level sufficient to support the current costs of Missional Leadership.

In reality, on the basis that we deliver the 2024 budget, we will have broadly met our fiscal rules during the 2022 – 24 budget cycle. However, this is only because we will have secured 3 tranches of Sustainability funding from the national church. Without that support we would have posted accumulated deficits of £2 million+. As we have said in this paper and elsewhere, there is no further Sustainability funding from the national church. But nor should we look to breach our fiscal rules in the 2025 – 27 cycle. Therefore, the 2025 budget will need to be compiled on a new and sustainable set of budget assumptions.

2024 Budget Parameters

The 2024 budget is currently drafted within the following parameters:

- A budget at or close to breakeven, albeit with underpinning support from the national church
- A clergy stipend increase of 5% from April 2024
- 140 locally deployed Incumbent status posts (decided locally)
- An increase in Parish Share of 5%, offset fully by Sustainability funding from the national church
- An assumption around Parish Share rebate being consolidated into the net level of Parish Share

	2023 Budget	2024 Budget
Income		
Parish Share	7,637,384	8,019,253
Parish Share Increase Offset		-381,869
Sustainability Funding 2024		381,869
Lowest Income Communities Funding	1,749,192	1,768,158
Investment Income	165,000	173,250
Rental Income	554,960	582,708
Funeral and Wedding Fees	475,000	475,000
Grants, Donations and Other Income	188,000	164,500
Schools Income	180,000	180,000
SJH Income	438,070	160,000
Total Income	11,387,606	11,522,869
Expenditure		
Missional Leadership	8,305,818	8,319,000
Clergy Housing	916,410	962,231
Finance and Central Services	833,798	875,488
Support for Schools	328,627	345,058
Lifelong Learning	260,449	273,471
Diocesan Communications	192,448	202,070
Office Costs	118,000	118,000
Safeguarding and Inclusion	147,918	155,314
Closed Churches, Glebe & DBF Property	50,000	50,000
Parish Resources	109,508	114,983
Church Growth	65,377	68,646
Social Justice	47,845	50,237
Total Expenditure	11,376,198	11,534,499
Surplus/(Deficit)	11,408	- 11,630

Synod is invited to endorse the 2024 budget.