



## The 2024 Budget Story

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### Summary

The Truro Diocesan Board of Finance (TDBF) 2024 budget summary is attached at Appendix 1 and sees an increase in the planned deficit to £3.266m for 2024. Unlike deficits before 2022 this large figure does not arise mainly because parishes are not making their MMF contribution, or because costs are rising in unplanned ways. This deficit arises from our conscious decision to support local plans, from our decisions to use reserves to support parishes rather than further grow our balance sheet, and from a rebalancing of our shared resources towards communities that are experiencing deprivation.

The deficit is £0.75m higher when compared to the 2023 budget. This is mainly due to an increase in expenditure which has increased by £0.67m to £10.27m. The main reasons for this are the increase in the use of reserves through the Total Returns (TR) mechanism of £345k for ministry costs and £402k on the Net Zero 2030 agenda.

Appendix 2 shows how the figures on Appendix 1 link to the MMF toolkit, ie the cost of ministry and the benefice/cluster charge, and these in turn link to Appendix 4 which shows the 'unit costs' which derive from the 2024 budget and includes those issued as part of the On the Way (OtW) process for comparison.

The Finance, Assets and Risk (FAR) Committee reviewed the budget at their meeting on 11th October 2023 and recommended it to BDC, who approved it for recommendation to Synod on 17th October 2023. The main topic of conversation related to the level of budgeted MMF contributions.

This report highlights the key assumptions and decisions made during the budget process which it is hoped will assist Synod when considering the budget for approval.

### Key decisions

The key decisions in this budget are listed below and they all follow from the items described in the "Tending the Vineyards" consultation, more details of which are later in this report:

- To increase the cost of ministry, passed on to the MMF call, by 3%;
- Using £635k of reserves to directly support parishes by discounting what the MMF call would otherwise have been;
- To honour deanery plans for the use of Lowest Income Communities Funding;
- To apply a 6% inflationary cost of living increase for stipends and lay salaries;
- To plan for stipendiary clergy numbers in line with deanery plans;
- To keep tight control of additional costs, prioritising spending that allows parishes to implement their plans;
- To plan for deaneries to honour their MMF commitment, and where necessary to revise the deanery plans to ensure that they are for fruitfulness and sustainability;
- To continue to honour our commitment to achieving carbon net zero by 2030.

### "Tending the Vineyard"

The Budget and Assets consultation "Tending the Vineyard" included the core proposal of using more of our assets and reserves than we would otherwise to support deanery plans, particularly to sustain and where possible increase clergy numbers.

The results of the consultation are reported elsewhere on the agenda. 60 responses were received including feedback from around 150 parish leaders including from 18 PCCs. 45 responses, including from all the PCCs, were broadly in favour of the proposals, while responses from 8 individuals were clearly opposed to the proposals.

This draft budget is, as it was in 2023, based on the locally made deanery plans and incorporates the proposal in “Tending the Vineyard”. That means the number and deployment of parish clergy, the shape of the Church House team, where and how we use funds from the national church (including Lowest Income Communities Funding (LICF)), where and how we invest for mission, the use of diocesan reserves, and the MMF contribution that we ask from parishes - this all comes from deanery plans and shapes the DBF budget.

## 2024 budget assumptions and key decisions

### Income

#### 1. MMF contributions

The 2024 budget for MMF contributions is calculated as follows using the latest deanery plan information from the Project Support Officers (PSOs):

The 2023 ‘unit costs’ have been increased by 3% and applied to the ministry numbers in the latest deanery plans to arrive at a total cost for ministry, the MMF call	£ 4,083,651
Funds used to reduce the cost to the deanery and therefore parishes:	
Transforming Mission	(38,574)
LICF	(402,637)
Mission Funds made available by TDBF through the TR mechanism	(173,273)
Total to be funded by parishes	£3,469,167
 Budgeted contribution rate of 90%, the ‘collection rate’	 £3,122,250

During 2023 we have seen a much higher collection rate for MMF, the parishes have been amazing in achieving this, so it is felt that a 90% collection rate for 2024 is reasonable.

The 2024 MMF budget for MMF contributions is 3.6% higher than the 2023 reforecast budgeted figure. The original 2023 budget was £3,343,504 and assumed a 100% collection rate, the figures as per the deanery plans. During 2023 it has become apparent that this was not going to be achieved and the budget was reduced by 10%.

The deanery’s have yet to allocate their MMF call to the parishes for 2024 so the use of LICF and mission funding to pay for some of the MMF included in the table above is an estimate based on what deanery’s used in 2023, if this changes (which is highly likely) then the MMF contributions will go down (or up) but use of LICF or mission funds will replace this and the bottom line will therefore not be impacted. The budget will be reforecast in March 2024 when we know the final figures from the deanerys.

#### 2. Investment income

The overall budget assumes that some more, but not many, surplus properties will be sold in 2024, along with some glebe. The Investment Management Committee took a decision recently to not invest proceeds from recent sales as better returns are being achieved by leaving funds in a Deposit Account. An assumption has been made that during 2024 funds will be invested as interest rates are expected to fall slightly and investments will yield a better return. Overall the income from dividends and interest received is budgeted to increase slightly from 2023 as the full year effect of returns from proceeds is realised.

The income from Parsonages has been reduced by £50k when compared to the 2023 forecast. This is because as clergy posts are filled fewer properties will be available for renting out, and also there will be fewer ‘surplus’ properties as they’ve been sold.

### 3. LICF (Lowest Income Communities Fund)

This draft budget continues to reflect the commitment to use LICF for the purpose for which it is received. As mentioned previously in section 1, it is not known yet how the deanery's will use the funding allocated to them so assumptions have been made for this 2024 budget and changes will be made to it when more information is received. At present, £143,573 is budgeted to be spent on stipendiary posts, £230,820 on assisting with paying the MMF 'gap' and £573,534 on project work. All of the funding is budgeted to be passed on to the deanery's in 2024. It is hoped this will go some way to assist deanery's with cost of living increases which were not included in deanery plans.

#### Expenditure

### 4. Clergy stipend and FTE's

The numbers in the table below for 2024 have been taken from the deanery plans:

	2023 budget			2023 reforecast	2024 budget		
	In post FTE	Vacancies @ 10%	Budget		In post FTE	Vacancies @ 8.4%	Budget
Stipend clergy FTE	59.33	(5.05)	54.28	44.59	62.50	(5.25)	57.24
Stipend curates headcount			15.5	15.5			14.50

In 2024 vacancies have been budgeted for at 8.4%, about 5 FTE posts in transition at any time, on average. There is a much higher vacancy rate at the start of the year as the current vacant posts are filled. A lower vacancy rate has been assumed for the rest of 2024 as it is hoped that the rate of clergy leaving will settle.

As in 2023 some of the stipend clergy posts will be funded by LICF or mission funding in 2024.

The budget includes a 6% inflationary increase from 1 January 2024. This amounts to £131k.

Appendix 2 shows use of funds released by the TR mechanism for clergy related expenditure, they are:

- £125k for dispossessions or settlement agreements;
- £234k for the costs of stipendiary curates which is above the baseline of 12. It can be seen from the table above that the number of curates is falling and during 2024 we should see the baseline of 12 reached so this use of reserves will no longer be required going forward;
- £175k for the costs of Deans of Areas.

### 5. Investment in mission

The deanery plans include plans for mission work some of which is to be funded from TDBF reserves. These funds will partly finance the Transforming Mission (TM) projects which in 2024 is budgeted at £190k (see Appendix 2). Mission funding is also being made available to those deanery's which don't have TM projects and amounts to £2m over 5-7 years. The deanery's are at different stages of working through more detailed plans about what that work is going to look like so the 2024 budget of £526k is an educated guess on how much will be drawn down. The budget will be reprofiled during 2024 when more information is known as deanery's continue to implement their plans.

The Benefact Trust (formerly AllChurches Trust) funding will continue to be used to fund social responsibility work and more mission funding to parishes. This is £13k less than received in 2023 as the Trust is changing the way it allocates its funds and is reducing diocesan allocations.

The LICF is not from reserves but in the budget we continue to use it to fund work in the lowest income communities in the deanery's. The element of the funding which isn't used to pay for stipends or contribute to the MMF call is paid over to the deanery's. Reports are received to understand how those funds have been spent, ensure they've been spent as per the grant funding rules and enable us to report that to the Church Commissioners.

## **6. Church House**

Appendix 3 shows a more detailed breakdown of the Church House costs which total £1.941m, an increase of 6.5%, £119k, when compared to 2023. These costs are included in the benefice/cluster charge that forms part of the toolkit.

When the OtW work started a commitment was made that a review of central costs would be carried out with £250k savings to be made between the 2021 and 2023 budgets. That target was achieved with £254k of savings made, as reported to Synod last year. However, as with all organisations things are constantly changing and during 2023 the Diocesan Plan for Change and Renewal was approved. It describes specific interventions and actions that relate to strategic change which is derived from the deanery plans, and if we're going to deliver it we need to add some resource to the central team in some areas.

The national church have various funds available to assist with funding some of the work included in the plan. Some funding has already been awarded to the TDBF which is included in this budget, we wait to hear about other applications submitted and continue to explore further funding opportunities. We also continue to ensure costs are kept to a minimum whilst delivering the highest level of support to the wider diocese wherever possible.

The majority of the increase in the budget is due to a 6% cost of living increase for lay staff from 1 January 2024 and amounts to £100k. The increase in staffing resources (FTE numbers) is, on the whole, covered by other savings being made elsewhere, none of them individually significant but they all add up.

## **7. Net Zero**

The commitment to the Net Zero agenda continues and the 2024 budget includes more than £750k of spend, this is an increase of over £400k when compared to 2023. The main area of spend is on properties. The opportunity is being taken to carry out various maintenance works to the property portfolio when they become vacant, and it has been established that the property is going to be kept in the longer term, and those works include Net Zero works.

Funding streams are being tapped into wherever possible to, again, reduce the overall spend for the DBF. In 2023 we applied for Boiler Upgrade Scheme funding and have received £15,000 in 2023 year to date, we are budgeting to receive £50k in 2024. Funding has also been awarded by the national church for capacity building which has enabled a resource to be employed to assist parishes with this work. More funding is being made available nationally and applications will be made where appropriate to enable a momentum to be achieved in this area.

As always various budget lines have increased and some have reduced, when compared to 2023, but are more insignificant values and have therefore not been specifically explained or described in this report.

### **Lay staff FTE's**

The following table shows the movement in lay staff FTE's that are included in the 2024 budget. 2022 and 2023 have been shown as comparisons. When the review of central costs was carried out in 2022 some posts were made redundant and this can be seen in the table with the reduction in FTE's from 28.1 to 24.7 in 2023, this figure excludes those posts funded by grant funding or funds released from the TR mechanism.

	2022 budget	2023 budget	2024 budget
Secretariat	4.5	4.9	5.3
Finance	2.8	2.8	2.8
Operations	8.0	6.7	7.1
Ministry	7.5	5.6	6.7
Safeguarding	2.5	2.7	2.9
Education	2.8	2.0	2.0
	<b>28.1</b>	<b>24.7</b>	<b>26.8</b>
Posts funded by grant funding or funds released from the TR mechanism:			
Change & Renewal	1.2	4.3	5.2
Generous Giving Advisors	2.0	2.0	2.0
Net Zero	0.0	0.0	2.3
TM	10.3	7.3	4.3
	<b>41.6</b>	<b>38.3</b>	<b>40.6</b>

As previously mentioned due to the Diocesan Plan for Change and Renewal being approved during 2023 we are needing to increase the central resources in order to deliver the vision included in that plan, more detail of that is:

- Secretariat increase of 0.4 is due to additional HR resource. Various staff are involved in the HR process and this will bring it together more under the HR Director's management. It will free up some time for existing staff to focus on other work eg Net Zero;
- Operations increase of 0.4 is due to resources in Comms being employed in 2024 rather than budgeted to be a consultant in 2023;
- Ministry increase of 1.1 is due to additional resources needed to ensure we provide the best support to ministry, as described in the deanery plans, for both ordained and lay. This includes: 0.22 additional resource for Pioneer ministry; 0.4 further support for AMD and Sens Kernewek delivery; 0.29 extra resource for lay ministry and 0.19 of various other small increases to existing members of staff;
- Safeguarding increase of 0.2 is due to additional resources for safeguarding training (0.1) and Cathedral support (0.1), which is paid for by the Cathedral under a Service Level Agreement;

The following changes in staff numbers are for posts which are in part funded either by external grant funding or funds released from the Total Returns mechanism:

- Change and Renewal Team increase of 0.9 is due to a new post for a Data Analyst (0.5), an increase in admin support of 0.24 and 0.2 for PSO and Comms increases. This is a relatively new team which has been brought together to support the deanery's to implement their deanery plans and it is still being determined what resources are needed for this work, hence the changes from the 2023 budget. Funding has been received from the national church to assist with funding this area of work, the remainder of the cost (£243k, Appendix 1) is funded from TDBF reserves;
- Net Zero increase of 2.3. This is a new area of employment for the TDBF and is for 2 posts (0.9 FTE) in the education team which are part funded from external grants; 1 new post for a Cut Carbon Officer and additional hours for the existing Environment Officer which are both fully funded by external funding;
- Transforming Mission reduction of 3 is partly due to 2 posts (1.1FTE) being transferred to the deanery as per the deanery plan and partly due to reduced staffing levels in the TM Falmouth project as it progresses to the stage of its long term sustainability within the deanery.

These numbers don't include the people who are consultants for the organisation, the budget for that resource in 2024 is £211k (2023 £192k). This increase is mainly due to a new resource for the Net Zero work which is part funded by the national church.

### **Cost of Ministry**

Appendix 4 shows the net authorised ministry costs which for 2023 is £3.484m (highlighted green).

Last year it was decided that the ‘unit costs’ would be used for the 2023 toolkit and in 2024 and 2025 those figures would have a limited increase added to them to assist the parishes as they implement their plans and adapt to all the change. The difference would be financed from TDBF reserves.

A 3% increase has been applied in this budget, which means a further use of TDBF reserves of £635k (figure highlighted in green and boldened on the Appendix).

### **Use of funds**

Appendix 5 shows the movement in funds. The General Fund is budgeted to be £2.2m at the end of 2024 and is being forecast to be £2.4m at the end of 2023, a reduction of £0.2m in 2024.

### **Reserves Policy**

The draft Reserves Policy is at Appendix 6. The budget is within the Reserves Policy.

### **Conclusion**

This budget deficit is a planned deficit, it is based on the locally made deanery plans. It is not finance led.

Can we afford the deficit? What about next year and the year after?

Yes. A higher percentage of parishes are now honouring their commitments to MMF contributions. Where parishes are unable to meet those commitments we are reviewing them with local leaders, and where necessary we are able to change local plans to ensure that parish ministry is sustainable and fruitful. We are also keeping much tighter control of expenditure across the budget and continue to make savings where possible. The “Tending the Vineyard” core proposal that sits alongside this draft budget is the plan to use up to £22m of reserves over ten years, an average of £2.2m per year. However, we expect the spend to be much greater in the first five years and anticipate that next year’s deficit will be even higher before levelling off and then falling away.

### **Recommendation**

That the Diocesan Synod approve the 2024 budget.

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20th October 2023