

Truro Diocesan Synod

November 2024

The 2025 Budget Story

Summary

The Truro Diocesan Board of Finance (TDBF) 2025 budget summary is attached at Appendix 1 and sees an increased planned deficit of £3.973m for 2025. Appendix 2 provides two tables, Table 1 showing the main areas of change between the 2024 and 2025 budgets and Table 2 showing the key areas of change between the 2024 Budget and forecasted out-turn for 2024.

In line with the last two years 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.

These decisions reflect the Asset Strategy approved in October 2023 which has two core principles, and both are relevant to the 2025 budget:

- the first is to support parishes by helping them to implement their locally created plans with this budget again based on the locally made deanery plans, as it has been for the last two years. This means the number and deployment of parish clergy, the use of reserves to keep the MMF call down, the shape of the Church House team, where we invest for mission, and the MMF contribution that we can expect parishes to make is directly linked to those plans.
- the second is to use more of the TDBF reserves to support the plans, including to sustain and where possible increase clergy numbers and also to give parishes stability for the three years 2023, 2024, and 2025. The budget for 2025 continues to use reserves for these purposes along with the carbon net zero and children and young people work.

Appendix 3 shows how the figures on Appendix 1 link to the cost of ministry and the benefice/cluster charge, and these in turn link to the 'unit costs' and the 'indicative costs' issued as part of the OtW process.

The Finance, Assets and Risk (FAR) Committee reviewed the budget at their meeting on 9th October 2024 and recommended it to BDC, who approved it for recommendation to Synod on 16th October 2024. The main topics of conversation related to:

- the level of budgeted MMF contributions
- the level of budgeted property works and net zero works

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 Asset Strategy:

- using £1.826m 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 3.75% inflationary cost of living increase for stipends and 2.75% for lay salaries;

- to plan for stipendiary clergy numbers in line with deanery plans;
- to keep 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.

2025 budget assumptions and key decisions

Income

1. MMF contributions

The 2025 budget for MMF contributions is calculated as follows using the latest deanery plan information from the Project Support Officers (PSOs):

	£
The 2024 'indicative costs' have been increased by 3.75%, in line with the recommended 2025 stipend increase, and the resultant 'unit costs' applied to the ministry numbers in the latest deanery plans, to arrive at a total cost for ministry of:	3,939,683
Funds used to reduce the cost to the deanery and therefore parishes:	
Transforming Mission	(17,547)
LICF	(450,537)
Mission Funds made available by TDBF through Total Returns (TR) mechanism	(127,839)
Total to be funded by parishes	£3,343,760
Budgeted contribution at 95.9%	£3,206,540

Despite the deanery plans all being approved by Deanery Synods and committing to paying MMF in full to cover the cost of ministry, it continues to be apparent during 2024 that not all parishes are 'signed up' to the plans. Work continues with the Deanery Implementation Teams (DITs) to establish if plans need to change to ensure sustainability.

The original 2024 budget was £3.122m. During 2024 it is becoming apparent that this is not going to be achieved and the budget has been reforecast to come in at £2.941m. It is felt that the 2025 MMF at £3.206m needs to exceed the 2024 budgeted amount as the message going to parishes needs to reflect the significant increase in ministry costs currently being subsidised by the DBF. A 3.75% increase on the 2024 MMF budget at £3.122m, in line with the stipend increase, would have given a 2025 MMF budget of £3.239m, which is comparable to the 2025 budget being proposed.

The deanery's have yet to allocate their MMF call to the parishes 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 2024. 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 2025 when we know the final figures from the deaneries.

2. Rental Income

It was considered that with an average number of 22 properties available at top end condition and taking a positive approach to the current market demand, combined with high occupancy throughout the year, both Parsonage and Board rental income have been increased from £240k in 2024 to £400k in 2025, there has also been an uplift in the forecast at the end of 2024 to reflect this.

3. LICF (Lowest Income Communities Fund)

We will receive a slightly higher amount in 2025 (£981k) compared to 2024 (£948k) and this 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 2025 budget and changes will be made to it when more information is received. At present, £85,127 is budgeted to be spent on stipendiary posts, £450,537 on assisting with paying the MMF 'gap' and £444,967 on project work. All of the funding, except for £20k is budgeted to be passed on to the deanery's in 2025. The amount of £20k has been held back by TDBF to use for other lowest income work which is not carried out at deanery level.

Expenditure

4. Clergy stipend and FTE's

The numbers in the table below for 2025 have been taken from the deanery plans:

	2024 budget			2024 reforecast	2025 budget		
	Deanery plan FTE	Vacancies @ 8.4%	Budget		Deanery plan FTE	Vacancies @ 10.0%	Budget
Stipend clergy FTE	62.50	(5.25)	57.25	43.35	58.13	(5.8)	52.33
Stipend curates headcount			14.50	12.50			9.00

In 2025 vacancies have been budgeted at 5-6% in addition to posts known to be vacant during this period being budgeted accordingly. This gives an average of 6 posts being vacant at any given time. The vacancy rate is higher at the start of 2025 but decreases as the current vacant posts are filled.

The reduction in clergy FTE from 62.50 in 2024 to 58.13 in 2025 is due to not having 3 Deans of Area posts and one clergy post reduction in East Wivelshire's deanery plan.

As in 2023 and 2024 some of the stipend clergy posts will be funded by LICF in 2025.

The budget includes a 3.75% inflationary increase. This amounts to £65k. The Remuneration Committee will decide on how much of an increase will be awarded with BDC ratifying the decision.

5. Support costs for Rural Deans

Following the decision not to proceed with the Dean of Area roles the requirement for strategic leadership within the deaneries to lead change has not diminished. A range of proposals has been approved by BDC to support the role of a Rural Dean to include administrative support, training & coaching, a stipend uplift and ministry back-fill to support each of the 12 deaneries to deliver practical and cultural change, the objectives of the Plan for Change and Renewal and fulfil the traditional responsibilities of a Rural Dean at a budgeted cost of £218k.

This expenditure is being funded from TDBF reserves, ie not passed on to the parishes.

6. Parsonages

The last couple of years have seen significant increases in the level of spend towards major works and ingoing works. There has been a conscious decision to take the opportunity to carry out works while properties are vacant, and we have made funds available for this to happen. In addition to the high level of clergy appointments being made during 2024 there have been a

number of additional moves which has brought forward plans to complete major property works on them. This has meant that during 2024 we have seen the budget for major and ingoing works of £600k increase to £2m.

The budget for 2025 has been set at £1m with a number of properties already identified for projects and some funds to accommodate, as yet, unknown moves.

7. 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 2025 is budgeted at a net cost of £196k (see Appendix 3). 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 2025 budget of £350k is an educated guess on how much will be drawn down. The budget will be reprofiled during 2025 when more information is known as deaneries continue to implement their plans.

The Benefact Trust funding will continue to be used to fund social responsibility work and more mission funding to parishes. This is estimated to be £13k less than received in 2024 as the Trust is changing the way it allocates its funds and is reducing diocesan allocations.

Funding has also been awarded by the national church to support parishes with the stewardship of historic church buildings. This will assist with some repairs and maintenance of these buildings, which is an area of concern and high costs for our parishes (£145k, see Appendix 3). This has enabled a resource to be employed to assist parishes with this work, plus small grants to be issued to facilitate some of the works required.

A successful bid for the FLOURISH programme (£66k) aimed at establishing partnerships between schools and their local churches, will be in addition to the Diocesan strategic commitment to invest £3 million of TDBF reserves over the next 10 years. The amount budgeted for 2025 is £300k but as this project is in the very early stages, it will be reviewed and revised as the understanding for resources needed to deliver this develop.

We continue to use LICF 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.

8. Church House

Appendix 4 shows a more detailed breakdown of the Church House costs totalling £2.106m, an increase of 5.4%, £107k, when compared to the 2024 budget. These costs are included in the benefice charge that forms part of the MMF toolkit issued to deaneries, as Appendix 3.

As mentioned last year when the budget was presented to Synod for approval the strategic plans which form the foundations for this budget are constantly evolving. We know that if we are to deliver all of the interventions and actions that relate to the strategic change then more resource is going to be needed in the central team. We are using more of the TDBFs reserves to help finance this along with funding from the national church, see the table in the lay staff FTE section on the next page. We also continue to monitor that costs are kept to a minimum whilst delivering the highest level of support to the wider diocese wherever possible.

About half of the increase in the 2025 budget is due to a 2.75% cost of living increase for lay staff from 1 January 2025 at a cost of £55k, with the remaining increase due primarily to additional safeguarding resources following an independent audit earlier this year. There are savings from the move to the Old Cathedral School (OCS) which reduces the impact of these increased costs.

9. Net Zero

The commitment to the Net Zero agenda continues and the 2025 budget includes spend of £500k, a reduction of £445k on the expected spend for 2024. 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.

As always various budget lines have increased and some have reduced, when compared to 2024, 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 2025 budget compared to the 2024 figures.

The Safeguarding team is the most significant increase, as referred to above in note 8.

Other increases are for the Buildings & Land team which is relatively new and small, funded by the national church, to assist with stewardship of our church buildings over the next couple of years; along with the commitment to Children & Young People which will start to develop over the coming years.

	2024 budget		2025 budget	
	Total FTE	FTE funded externally or from TDBF reserves	Total FTE	FTE funded externally or from TDBF reserves
Secretariat	5.2	0.2	5.3	0.2
Finance	2.8	-	3.0	-
Operations	5.2	-	6.2	-
Ministry	6.7	-	6.7	-
Safeguarding	3.7	-	5.9	-
Education	2.9	-	3.4	-
Diocesan core operational posts	26.5	0.2	30.5	0.2
Strategic posts - funded by grant funding or TDBF reserves:				
Change & Renewal	5.2	5.2	4.9	4.9
Generous Giving Advisors	2.0	1.1	1.8	1.1
Net Zero	1.6	1.6	1.7	1.7
TM (deployed to parishes)	4.3	4.3	4.6	4.6
Buildings & Land	1.0	1.0	2.0	2.0
Children & Young People	-	-	0.5	0.5
	40.6	13.4	45.9	15.0

These numbers don't include the people who are consultants for the organisation, the budget for that resource in 2025 is £166k (2024 £211k). This decrease is partly due to the Director of Education role moving from consultancy back to an employed role as well as including an employed post in the Comms team (included in Operations in the table above) in 2025 which was in consultancy in 2024.

Cost of ministry

Appendix 5 shows the net authorised ministry costs which for 2025 is £4.578m (highlighted green).

In 2023 it was decided that the "indicative costs" issued for the OtW process would be used for the 2023 toolkit and that 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.

This budget includes a 3.75% increase to the rate used in 2024, which means a further use of TDBF reserves of £1.826m (figure highlighted in green and bolded on Appendix 5). This is a £1.191m increase on costs funded by the DBF in 2024, budgeted to be at £635k.

Use of funds

Appendix 6 shows the movement in funds. The General Fund is budgeted to be £2.198m at the end of 2025 and is being forecast to be £1.912m at the end of 2024, an increase of £286k in 2025. This is above the reserves policy level.

Reserves Policy

The Reserves Policy is at Appendix 7. The budgeted figures all fall above the Reserves Policy levels.

Conclusion

This budget deficit is a planned deficit, it is based on the locally made deanery plans, and the Diocesan Plan for Change and Renewal and the Assets Strategy which are also based on the deanery plans. It does cost time and money to implement plans and we have increased resources to enable that to happen with most of those additional costs not being passed on to parishes, so it not a surprise that there is a deficit budget and of this magnitude.

The TDBF does however have sufficient reserves, as Appendices 6 and 7, to finance the deficit.

More parishes are 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 monitoring expenditure across the budget and continue to make savings where possible.

As the various plans are being implemented it is becoming apparent that the TDBF will need to continue to support parishes financially, where the gap between actual ministry costs and MMF contributions remains. While the TDBF has reserves this is not unreasonable but we need to consider the sustainability of that going forward. The amount the TDBF is supporting the parishes, by not passing on the full increase in the costs of ministry, has increased significantly from £635k in 2024 to £1.8m in 2025, this is one of the core principles in the Asset Strategy, to provide stability to parishes in 2023, 2024 and 2025 while plans are in their infancy of being implemented. This budget is the last of those years and therefore during 2025 we need to consider what the level of support should be in 2026 so that it is sustainable for the TDBF and also for the parishes as they implement their deanery plans.

We are on track for the use of reserves for now, higher in the first few years of change, but this will be a significant factor to consider when the 2026 budget is prepared.

Recommendation

That the Diocesan Synod approve the 2025 budget.

Anne Bone
28th October 2024