

TDBF 2025 Budget Presentation

Slide 1

Thank you Roger, hello everyone. So I usually find myself saying (like a broken record) that I can't believe it's been a year since I last presented the budget to you, that I have no idea where the time has gone and I'm obviously continuing to be having far too much fun for the time to be passing by so quickly!

Well the time flying and therefore obviously having too much fun statements are correct but I'm wrong when I say "since I last presented the budget to you" as this is only the second meeting of the new Synod membership and for quite a few of you I haven't presented to you before, more particularly I haven't presented the budget to you before.

With that in mind I thought that before I started talking about the 2025 budget it might be worth letting you know (reminding you) how the budget has evolved over the last few years.

Slide 2

I have worked for the diocese for 10 years now and the first 7 budgets I presented were finance led, i.e. not led by strategy. When the 2022 budget was presented to Synod in November 2021, it was described as a transitional budget. The ministry and mission led plans had yet to emerge from the On the Way process, which had started, and the hope was that for 2023 we would have plans from all of the deaneries to include in the budget. That happened. For me personally I was really proud to be able to present a budget for the first time which was mission and ministry led, not finance led.

When the 2021 and 2022 budgets were approved by Synod (the 2022 one being the transitional budget I referred to just now) they were done so on the understanding that we were aiming for a balanced budget for 2023. During the 2023 budget process we consulted with the wider diocese that a balanced budget was not looking likely as the wider picture had changed. Changes to the shape of the DBFs budget were proposed, shifting away from some of the important principles we had held for some time. The headlines on the slide were introduced, which were supported by parishes and synod:

- Using reserves to support core ministry for at least 3 years, probably longer.
- Honouring the "indicative costs" that had been used in deanery planning.
- Limiting the increase in the MMF call for 3 years (2023-2025) to support deanery plans.
- Plan to review the MMF formula for 2026, but with an expectation that we will continue to use reserves to support core ministry for some time.

Episcopal College will take a coherent and consistent approach to parishes where there is a persistent gap between MMF call and actual MMF offered.

Slide 3

During 2023 work continued on strategy at a diocesan level with those headlines in mind and the budget consultation in 2023 introduced what became the Asset

Strategy to the wider diocese in the document called 'Tending the Vineyard'. This was approved by Diocesan Synod in November 2023, more of that later. Also in 2023 Diocesan Synod approved the Diocesan Plan for Change and Renewal, this was based on the 12 deanery plans.

The plans included in all of these documents (the deanery plans, the Diocesan Plan for Change and Renewal and the Asset Strategy) are the basis for the budget put before you today. They give us the number and deployment of 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 contributions that we can expect parishes to make.

The Church House teams all have plans as well and these are based on the plans in the previous documents mentioned. So we have a very joined up strategic approach to the work of the diocese and the budget puts the pound signs on to that strategy. If we're going to do the work as per the plans the budget is showing how much that work will cost, how much of the reserves need to be used as we journey towards a fruitful and sustainable diocese.

In my opinion this budget is exactly how it should be, strategically led, and I'm delighted that this budget is the third year of doing it this way. I know I still get too excited about that bit, sorry! It's also what a budget should be in that we are using reserves. We are a charity and the reserves are there to be used.

Slide 4

So having hopefully helped you to understand, or remind you of, how we have got to where we are today I now want/need/ought to talk about some numbers! This organisation is very complicated when it comes to finances and trying to report that to you in a coherent way is tricky and I apologise if the report published with the papers for this meeting has raised more questions than answers for you. I hope that this presentation helps to answer some of the questions you may have, if not there is plenty of time at the end to ask them.

In financial terms, the result of all of the plans is that we are proposing an overall budget for the TDBF, for Synod to hopefully approve today, with a deficit of £3.973m (I'll refer to it from now on as £4m for ease!), which is an increase from £3.266m for 2024. This is a scary number so how can I stand here today and ask you to approve a budget with a deficit let alone one with such a large deficit.

I mentioned just now the Asset Strategy, that document says we will use £22m of reserves to support implementation of deanery plans and the Diocesan Plan for Change and Renewal over a 10 year period. 2025 is year 3 of that strategy. Now £22m divided by 10, if the use of reserves was to be even, is not £4m which the 2025 budget is showing, the numbers don't appear to be stacking up. We were fairly certain when the Asset Strategy was prepared that the use of reserves wouldn't be evenly spread, it was likely to be front loaded and that is exactly what is happening and can be seen on the graph on the screen. The blue line shows the support to parishes and the orange line (the higher one) shows the total budget for the £22m, both are over the 10 year period. This model has been stress tested, was signed off by our auditors and is considered to be affordable.

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So what makes up the £4m deficit?

About half of it (£1.8m) is to keep the overall MMF call down for everyone. This is in line with the assets strategy that allocated half of the £22m to pushing down the MMF call.

£600k is allocated to achieving carbon net zero, most of this will be spent on clergy houses.

£550k is for mission funding, most of this is the mission funding allocated through deanery plans, it also includes the DBF contribution to “Transforming Mission” in five locations.

There are other smaller amounts that are in the budget and they include work with children and young people, and to support parishes in their stewardship of church buildings, £300k, because we know that these two responsibilities are beyond the capacity of many parishes, but are priorities in most places. There is also use of funds for some of the work of both the Change and Renewal (£340k) and Education teams (£147k).

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So now on to a bit more detail. Income for 2024 is budgeted at £7.5m and the pie chart on the left shows the split of that income. The pie chart on the right shows the split of the expenditure which totals £11.5m. The difference between these two overall figures is the deficit of £4m that I mentioned earlier.

I'm not going to take you through each of the categories on the budget as I'd be here until Christmas, I'm assuming the budget paper has been read and therefore I'm just going to go into detail on the key numbers (the largest ones).

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Firstly MMF. Apologies this gets a bit complicated but I want to try and explain how the figures flow through from the deanery plans so you can see the direct link. I hope to keep you with me!

This is the largest income stream for the DBF as you can see from the blue 'cheese/slice' on the pie chart in the top corner of the slide, which is the income chart from the previous slide without the figures showing. For 2025 we are budgeting to receive £3.207m, this is a 2.7% increase on what was budgeted for 2024.

This budget includes a 3.75% increase to the 'unit costs' for the costs of ministry (that increase is in line with the cost of living increase for stipends) and when these are applied to the shape of ministry in the deanery plans we arrive at the net cost of ministry for the diocese, £3.9m, the first figure under the pie chart. More detail of this later when I cover ministry costs but it is the starting point for the MMF contribution figure. We make LICF and mission funding available to deaneries (for the deaneries that don't have Transforming Mission in them) and

some choose to use it to reduce the MMF call to parishes, part of the support to parishes I mentioned earlier. Until the allocation returns are returned to us at the end of this month we don't know how much will be used in 2025 for this purpose but an estimate has been used for the budget and this reduces the MMF contributions to be paid by the parishes to £3.3m as you can see on the screen. A collection rate of about 96% has then been used to arrive at the figure in the accounts £3.206m. When we receive the allocation returns from the deaneries we will more than likely have to reforecast the budget to reflect the deaneries figures as they're bound to be a bit different. It won't affect the overall budget, just where the funding will come from: be it LICF, mission funding or parishes through MMF contributions.

In the On the Way process the deaneries committed to paying MMF in full but it is felt prudent to not include a 100% collection rate as we know some parishes won't pay.

In 2023 more parishes donated more MMF, more parishes paid in full and more parishes paid more than 90% of their call. Overall we had the highest 'collection rate' for many years and we are grateful for that, it is important, it is why we can release DBF reserves. The pattern in 2024 is similar but we know that two things are true: some places are using reserves to pay MMF and this is not sustainable in the long term. We are working with those places to move to a model that is sustainable; a few places are still 'withholding' MMF payments, many fewer than before but a handful, because they don't have a priest or because they don't like the deanery plans. We can't ignore that and Archdeacons will be working with those to find a way forward (this is the last bullet point on the background slide earlier). If MMF is not being paid then it means that we need to use reserves to pay for the shortfall meaning there is less funding available for other things in the plans.

You can see from the table on the screen that the latest forecast figure for 2024 is £2.941m, this is lower than the 2024 budget figure of £3.122m which was 90% of the cost of ministry in the deanery plans. The actual MMF contributions for the 10 months up to 31 October 2024 are £21k less than the same period in 2023. We are hopeful that we will reach the forecast figure for 2024.

As the plans are implemented the finances in those plans will be revisited to gain clarity on some of the figures, including MMF. The plans are just like budgets they change no sooner than they've been approved and so they need revisiting regularly and updating where necessary. The Change and Renewal team are having conversations with deaneries about sustainability and whether the shape of ministry included in the plans is affordable. It may well be that some plans will need to change for a variety of reasons, affordability being one.

Any changes to the finances in the deanery plans, including the use of LICF and mission funding to pay for MMF that I mentioned earlier, will be fed into future re-profiles of the budget as we go through 2025, the process we carry out to revisit the budget just like the plans are being revisited.

One of the headlines that I mentioned earlier that were introduced in the 2023 budget process was that the MMF formula would be reviewed for 2026. We have a plan in place for this, this will be on the agenda at the next Diocesan Synod meeting in February 2025.

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Next I want to look at the Ministry category of spend. The costs of providing parochial ministry is by far and away our largest area of spend as can be seen on the pie chart, it's the blue 'cheese'. This category is predominantly the cost of ministry which is used to calculate the 'unit costs' that are included in the MMF toolkit.

The total cost of ministry is budgeted to be £737k lower in 2025 than we are forecasting for 2024. The main reason for this reduction is the property spend budget reducing just under £1.4m but there are other factors at play here too which I'll try to explain:

As you'd expect, the stipend budget is the largest component of this line of spend in 2025. This was the case in the budget for 2024 too but it's been superseded by the property spend during 2024, more of that in a minute. As can be seen on the table the stipendiary clergy FTE numbers in 2025 are budgeted to be about 21% higher than those being forecast in 2024 (52.33 compared to 43.35) with the stipendiary curate numbers reducing from 12.50 to 9. These are the FTE numbers, as we have some stipendiary posts which are part time, but when we consider the headcount of all of the stipendiary posts, the assumptions in this budget mean that they peak at 70.25 in June 2025. Now, the stipendiary clergy numbers are as the deanery plans, that is 58.13 and yet the figures in the budget are different to that. Why?

The budget is calculated post by post month by month and there is a much higher rate at the start of 2025 while posts which are currently vacant are filled and it is then hoped (and budgeted) that the rate of clergy leaving will settle and hence the vacancy rate will reduce. This is how we arrive at the 10% average vacancy rate for 2025 (about 6 posts in transition at any time). This is a very round figure which was not intentionally calculated that way it just came out at that. I checked it a few times as I didn't believe it!

As I'm sure you are all aware we experienced a high level of transitions in 2023 and this has continued in 2024. The budget for 2024 was 57.25 and we're now forecasting 43.35, a huge difference. This isn't just being experienced by Truro, other dioceses are also seeing higher than expected levels of clergy turnover. Between 2024 and 2025 the number of stipendiary clergy in the plans has reduced by just over 4 posts and yet we've said we want to maintain or grow the number of stipendiary clergy so why is this? The 2024 budget included 3 Deans of Area posts which are no longer going to be filled and East Wivelshire have reduced the stipendiary clergy in their deanery plan by 1. The plan for Deans of Areas evolved during 2024 and BDC recently approved a proposal for Strategic Rural Deans instead of Deans of Areas, the costs of which are included in this budget and are funded by TDBF reserves ie not being passed on to parishes through MMF. I'm hoping that this role isn't news to any or many of you, if it is there is an article on

the diocesan website (posted on 13 November) which explains things and work has started for these posts to be in place from 1 January 2025.

The net result of all of this is that the totally stipend budget has increased from £1.968m forecast in 2024 to £2.252m in 2025.

Recruitment remains a, if not the, top priority for the diocese. It is not a straightforward process but please be assured we are very aware of the importance of filling posts promptly whilst making sure they are being filled by the right person.

This budget includes a 3.75% cost of living increase from 1 January 2025 for stipendiary clergy, costing £65k. This figure is the Bank of England's projection (in August) of what CPI would be at the end of 2024 plus 1%.

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The ministry budget itself isn't just stipend costs, there are other costs one of which I mentioned just now has changed more significantly between 2024 and 2025. The property maintenance budget has reduced by a little under £1.4m, a large number. Strategically we have been taking the opportunity over the past few years to carry out various maintenance works to the property portfolio when a property becomes vacant, and it has been established that the property is going to be kept long term. With the high level of vacant properties over the last 18 months or so, it was decided to make funds available to increase the budget to enable that opportunity to continue to be taken. It is being proposed that for 2025 a lower budget is set and that bwe work within that figure. Rather than making funds available and doing pretty much all of the identified works on properties some possibly difficult decisions will need to be made as to which works will be carried out on which properties. Although we have reserves at the moment it is not sustainable to be spending as much as we have in 2024 on properties and the cloth needs to be cut a bit.

The glebe costs have been increased in 2025 as major repairs are needed on one of the properties in the portfolio which has become vacant.

As in the last couple of years we have provided the breakdown of the net cost of authorised ministry including the 'unit costs', this is in Appendix 4. I apologise this is a very busy page and we will look to simplify this next year, it has evolved trying to 'tell the story' but has 'lost its way' a bit. What it's trying to show is that when the OtW process started we published indicative costs of ministry, which we are now tending to call 'unit costs'. One of the headlines I referred to at the start of this presentation was that we would honour the indicative costs that were used in the deanery planning. In 2023 it was decided to not increase those costs at all which meant that the DBF budgeted to use reserves of £447k being the difference between the cost of ministry using the 'unit costs' compared to the actual cost of ministry as per the budget. In 2024 the 'unit costs' were increased by 3% and the gap grew to £635k. For 2025 the increase in the 'unit costs' is 3.75% with the gap increasing to £1.8m. This means that the TDBF is not passing on the full cost of ministry to the parishes and will fund that gap by using reserves and as previously mentioned is part of the support included in the Asset Strategy. We have reserves

to support parishes but not at the level of £1.8m each year, probably more like £1m. This is one of the factors to take into account when the MMF formula is reviewed during 2025.

Before I move on to other expenditure I just want to say that the costs of ministry don't just include costs for stipendiary posts, we also provide an ever growing level of support to and resources for the lay ministry within this diocese, which is a blessing to us and without which many parishes wouldn't function.

Slide 10

And so on to parish based mission, the red 'cheese' on the pie chart. This includes spend on Transforming Mission, mission funding made available for the deanery plans and from the Benefact Trust (formerly known as AllChurches Trust) and the work of Next Steps On the Way.

Mission funding is being made available to those deanery's that don't have TM projects. This amounts to £2m over 5-7 years. The deanery plans include information about what they anticipate spending the money on and a figure of £350k has been included in the budget for 2025. Some deaneries are still not sure how much they will spend and in which years so estimates have been made, as they were for the 2024 budget. The budget will be reprofiled when more information is known from the deaneries.

We continue to pass on the Lowest Income Communities Funding (LICF) to the lowest income communities in the diocese, those communities for which we receive the funding. £544k of it is budgeted in the form of mission grants, as per deanery plans, with the rest used to reduce MMF call for parishes.

The parish based mission budget is a significant amount of funding at £2.4m for 2025 and it is hoped that this 'investment' will assist with enabling change and help parishes through these challenging times which in turn will lead to fruitfulness and sustainability. The Programme Board for Change and Renewal is tasked with monitoring this investment to ensure we understand the impact and effectiveness of it. We hope, for example, to see a growing Christian presence; that the MMF call is sustainable and hopefully we will be able to increase the number of stipendiary clergy in places where there is growth. This is crucial if we are to understand what has worked and what hasn't, we have to be realistic that not everything we do will 'work' and that is important to understand as we navigate our way through the implementation of the deanery plans.

Slide 11

Next is Church House, the green 'cheese'. This is the expenditure for functions carried out at Church House for support to the parishes and the running of the diocese, it includes safeguarding, DAC, education, admin, environment, finance, Generous Giving Advisors to name a few. This category of spend totals £2.1m for 2025 and is all included in the benefice/cluster charge which forms part of the MMF toolkit issued to deaneries.

This figure is £165k more than we are forecasting for 2024 and the main reasons for this are a 2.75% cost of living increase for lay staff and an increase in the

safeguarding resource following an independent audit earlier in the year. We have moved offices in 2024 and are now located at the Old Cathedral School, this has generated a saving which offsets some of the increased costs.

The largest of the costs within the Church House 'category' is lay staff costs as can be seen on the pie chart shown here. This is the same information as that provided on Appendix 4 in the pack of papers, it's just in a pie chart which enables you to see more visually the proportion of costs within this category.

Please be assured we endeavour to keep costs to a minimum whilst delivering the highest level of support to the wider diocese wherever possible.

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And so a bit more detail about lay staff Full Time Equivalent (FTE) numbers. This slide shows the table for lay staff FTEs which is in the budget pack.

The total number of FTE lay posts in the 2025 budget has increased from 40.6 to 45.9. I have shown how many FTEs are funded externally or from TDBF reserves and therefore not paid for through the MMF.

Yes there is an increase in the number of employed posts of 5.3. There are 2 FTEs that were budgeted for in consultancy in 2024 and are now being budgeted as employees so we have seen a reduction in the consultancy budget for 2025, in other words there is a movement between categories. I mentioned just now an increase in the safeguarding resource and that is 2.2FTE.

The increases in the posts at the bottom of the table i.e. those funded from grant funding and funds released by TR are: 1 for the buildings and land work, this is an additional resource funded by the national church and TDBF reserves. And then there is 0.5FTE post for children and young people work. This is one of the priorities in the Diocesan Plan for Change and Renewal and is in the process of being 'fleshed out' so we don't know yet what resources will be needed but we think a member of staff will be employed during 2025. This will be reforecast as the plan evolves during 2025, along with other plans e.g. small churches work.

Slide 13

And last but not least on expenditure is Carbon Net Zero 2030. This is expenditure on the carbon net zero agenda and the budget has nearly halved when compared to the latest forecast for 2024 to £593k. I previously mentioned when there is a clergy vacancy the opportunity is taken to carry out works on the property and those works now include carbon net zero works and the largest element of this budget, £500k, is for property works. We have reduced the budget for 2025 to enable us to 'draw breath' on the works that have been carried out and assess the impact of the works to inform the works in the future. Are the works impacting the ministry in an adverse way, is it costing more to 'run' the property etc. We want to make sure that the available funding through the Asset Strategy is spent wisely. As a slight aside we now have 28 properties with an 'A or B' EPC rating, this is an increase from 10 (all B) when we benchmarked in Jan 2021.

The rest of the budget is for expenditure associated with funding awarded by the national church for capacity building which enables resources to be employed to assist parishes and schools with this work.

This budget is all funded from reserves or funding awarded and does not impact the figures in the toolkit for the parishes.

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Appendix 6 in the pack of papers shows the movement on funds ie how they are impacted by the income and expenditure and overall how the deficit is being funded. This is in the same format as note 24 in the statutory accounts, which also gives more information about each of the funds, eg what they can be used for. The appendix shows which funds are unrestricted (this includes some designated), those that are restricted and also the endowments. The figures on the screen show the sub totals of each of those categories of funds and you can see how they are expected to move in 2025. In total they are budgeted to be £110m at the end of 2025, a reduction of £4m, this is as expected because we are using reserves to fund the deficit.

Part of the budget process is ensuring that we use the funds as effectively as possible.

Linked to the funds note is the Reserves Policy which can be found at Appendix 7 in the pack of papers.

It says that we need to hold £1.63m in the General Fund, for the reasons given in the policy, to cover an unbudgeted deficit for example. And we can see from the top line on the screen the General Fund is budgeted to be at a level of £2.2m at the end of 2025 which means that the budget is within the reserves policy. This fund in particular is monitored monthly by the Finance Assets and Risk (FAR) Committee.

We have been blessed with some significant growth in reserves in the last few years, and we are using them in a planned manner to support the parishes and meet the diocesan strategy, which is completely the right thing to do. It wouldn't be a presentation from me if you didn't hear me saying that the reserves give us space to change, but not the permission to stay the same, we are continuing to stand by that and 2025 sees another large use of reserves to support and enable that change.

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And so to conclude.

For me, by far and away the most important thing about this budget is that it is, again, mission and ministry led by the deanery plans, the Diocesan Plan for Change and Renewal and the Asset Strategy.

The diocesan leadership continue to be committed to drive change for a fruitful and sustainable diocese.

It is affordable.

FAR and BDC think that this is a realistic budget for 2025 and are therefore recommending it to Synod for approval.

Any questions?