

Truro Diocesan Synod

November 2025

The 2026 Budget Story

Summary

The Truro Diocesan Board of Finance (TDBF) 2026 budget summary can be found at Appendix 1 and sees a planned deficit of £4.476m for 2026. Appendix 2 provides two tables: Table 1 showing the key areas of change between the 2025 budget and forecasted out-turn for 2025 and Table 2 showing the main areas of change between the 2025 and 2026 budgets.

This deficit arises from the continuing conscious decision to support local plans, from the decisions to use reserves to support parishes rather than further grow the Balance Sheet and from a rebalancing of the shared resources towards communities that are experiencing deprivation.

It is also in part due to the spending of income recognised in the year it is received rather than when spent. This change has come about following the auditors findings in the 2024 annual accounts audit and there are more details about the impact of this change in section 8 of this report.

Appendix 3 shows how the figures on Appendix 1 for the 2026 budget link to the MMF toolkit, ie the cost of ministry and the shared costs, and the 'unit costs'.

Appendix 4 is the latest Assets Strategy summary and shows that the budgeted deficit is affordable. The timings of the use of some of the reserves has changed with more being spent in the first few years but it is still within the £22m allocation.

The Finance, Assets and Risk (FAR) Committee reviewed the budget at their meeting on 14th October 2025 and recommended it to BDC, who approved it for recommendation to Diocesan Synod on 21st October 2025. The main topics of conversation related to:

- the level of budgeted MMF contributions including how LICF and mission funding may be used by parishes to assist with paying MMF and
- the level of budgeted property works and Net Zero works.

So the budget is planned and affordable, although it does depend on MMF needing to increase, and this report highlights the key areas for consideration by Diocesan Synod before approval.

Background

Any budget is a plan in numbers but who's plans are in the TDBF budget?

Back in 2021 and 2022 a huge amount of work took place across the diocese as part of On the Way which resulted in thirteen approved deanery plans. The 2023 TDBF budget was based on the deanery plans, making the budget mission and ministry led, and strategically led. During 2023 the Diocesan Plan for Change and Renewal (DPC&R) was approved along with the Assets Strategy, the document that tells us how we can use some of the TDBF reserves to finance the plans. The 2024 TDBF budget was the first one to incorporate all of these plans into it and that process has continued for the 2025 and now 2026 budgets.

All of the deanery plans are in the process of being reviewed to establish if they are still fruitful and sustainable. If changes are needed, and that is likely as plans are bound to change over time, it is likely that the DPC&R will also need to change. With the plans informing the budget, if they change then the budget will most likely need to change aswell. We are also developing the Growing Younger work that is in the DPC&R, it is hoped funding will be awarded in 2026 and

therefore the budget will need to be revised for this. This is an unusual amount of uncertainty in the budget which could change quite significantly. We haven't had a formal process whereby the Diocesan Synod is informed of significant budget changes during a financial year but we are proposing a change to that, for good governance and transparency.

The budget is updated (reforecast) after each quarter end (March, June and September) and BDC are asked to approve it as the standing committee of the Diocesan Synod. In future we will report to Diocesan Synod if the total income or expenditure has changed by more than 10% and also if there are significant changes in the way we work strategically ie changes to underlying assumptions made in the budget. For example, an outcome of the deanery plan reviews may be that the use of Lowest Income Communities Funding (LICF) changes. This may not impact the budget by more than 10% but it is a significant change in the way deanery's use the funding. This will be reported to Synod.

Key decisions

The key decisions in this budget are listed below and they all follow from the Assets Strategy:

- using 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 (LICF);
- to plan for stipendiary clergy numbers in line with deanery plans;
- to increase stipends to the National Stipends Benchmark (NSB), with effect from 1st April 2026;
- to apply a 3.5% cost of living for lay salaries from 1st January 2026;
- 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.

2026 budget assumptions and key decisions

Appendix 5 is a departmental analysis of the budget, and the highlighted lines are addressed in more detail below, along with the key assumptions, to encourage discussion and agreement.

Income

1. MMF contributions

The 2026 budget for MMF contributions is calculated as follows using the latest deanery plan information provided by the Project Support Officers (PSOs):

	£
The 2025 'unit costs' have been increased by the maximum 5.5%, as discussed during the MMF consultation earlier this year, and the resultant 'unit costs' applied to the ministry numbers in the latest deanery plans, to arrive at a total cost for ministry.	<u>4,214,277</u>
Budgeted contribution rate of 90%	3,792,849
Funds used to reduce the cost to the deanery and therefore cost to parishes:	
Transforming Mission Funds	(31,917)
LICF	(369,880)
Mission Funds	(86,727)
Total to be funded by parishes	£3,304,325

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 and 2025 that not all parishes are 'signed up' to the plans and therefore not intending to pay all of their MMF and there are also some parishes who can't pay MMF.

In the MMF consultation undertaken earlier this year, a proposal was made that the benefice charge would be replaced by Shared costs, and these costs would be allocated by pro rata to the cost of ministry per deanery, rather than a fixed cost per benefice.

The consultation also proposed that there would be a maximum change of 5.5% (approved by Diocesan Synod in June 2025), including an inflationary increase, to the deanery MMF call. This "capping" has meant that the TDBF will not be passing a cost of over £102k of these Shared costs onto deaneries to honour that commitment.

The 2026 MMF budget at £3.304m is £98k (3.0%) higher than the 2025 budgeted figure of £3.207m and £274k (9.0%) higher than the 2025 reforecast budget figure of £3.030m. At the end of September, contributions received were tracking at 93.69% of the 2025 budget. The contributions for 2025 are £75k higher for the 9 months year to date than in 2024 so we are hopeful the reforecast budget is a realistic figure.

The deanery's have yet to allocate their 2026 MMF call to the parishes so the use of LICF and mission funding to pay for some of the MMF included in the calculation above is an estimate based on figures provided by the deanery PSO's and their knowledge of the projects underway in each deanery. If this changes, which is highly likely, then the MMF contributions will change 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 2026 when we know the final figures from the deaneries.

Following the budget discussions during the September and October FAR meetings, which reviewed and considered how the additional LICF (£200k) may be used, it was agreed that deaneries should be encouraged to use LICF towards meeting their MMF Call whilst recognising that it is for them to decide how they use it.

2. Transitional Funding

Following the outcomes of the Diocesan Finance Review (DFR) in June this year, with proposals to improve clergy stipends and pensions, ordinand maintenance and Ministry Training, the Archbishops Council will be providing £366k of Time-limited additional support to the diocese in 2026 in the form of Transitional Funding. 2026 will be the first year of nine when phased funding will be received.

It was recommended at the September FAR meeting that Transitional Funding would be used towards 'plugging the gap' between the actual cost of Ministry and the MMF contributions received in 2026.

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. We are fortunate to see an increase of £327k in LICF being made available to the diocese in 2026.

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 2026 budget and changes will be made to it when more information is received. These changes won't be known until after the budget has been approved but will not affect the overall budget deficit, just how cost of ministry is funded. At present, £91,191 is budgeted to be spent on stipendiary posts, £369,880 on assisting with paying the MMF 'gap' and £746,184 on project work within the deaneries. £100,000 of the LICF being 'held back' by TDBF to use for other lowest income work which is not carried out at deanery level.

4. Investment Income

The overall budget assumes that seven properties will be sold during 2026 along with a number of parcels of glebe. These sales are expected to generate approximately £6.8 million, some of which will be strategically reinvested into one new clergy residence and a commercial glebe property, totalling £1 million.

The remaining proceeds will be used to support operational expenditure throughout the year, ensuring financial stability without the need to draw down existing investments. While this means there won't be additional surplus funds available for new investments in 2026, the approach maintains the integrity of the investment portfolio. See Appendix 6 for the cashflow showing this information.

Overall, the income from dividends and interest received is currently budgeted to decrease by £235k from 2025. Interest rates are expected to continue to fall over the next eighteen months and with lower cash balances being held income will reduce in 2026. Investments will yield a similar return to that forecast for 2025 but lower balances are now forecast to be held as funds from sales of properties and glebe are being used to fund day to day activities ie no surplus funds are forecast to be available to invested, which they previously were.

Expenditure

5. Clergy stipend and FTE's

The numbers in the table below for 2026 have been taken from the deanery plans:

	2025 budget			2025 reforecast	2026 budget		
	In post FTE	Vacancies @ 7.5%	Budget		In post FTE	Vacancies @ 10.0%	Budget
Stipend clergy FTE	55.21	(3.86)	51.35	48.09	58.17	(5.04)	53.13
Stipend curates headcount			8.92	8.49			8.54

In 2026 vacancies have been budgeted for at 10.0%, about 5 FTE posts in transition at any time, on average. This vacancy rate includes the consideration of posts currently in transition and their forecasted month when a new clergyperson will be in post.

As in recent years some of the stipend clergy posts will be funded by LICF or mission funding in 2026.

Following proposals arising from the Diocesan Finances Review (DFR), the Archbishops Council announced an above inflationary increase in stipends and a new expectation that dioceses will all pay stipends at the same level.

This budget includes that above inflationary increase with the stipend budgeted to increase from £32,548 to £34,950, a 7.4% increase. The Remuneration Committee made the recommendation to BDC for the stipend level.

The total stipend budget including on costs has increased by £164k, from £2,752k to £2,916k.

6. Changes to Ministry in Training Fund

One of the other key changes from the June DFR impacting all dioceses over the coming years, will be changes to the funding arrangements for Ministry in Training. The previous diocesan apportionment arrangements, known as Vote 1 - 5, will be administered by the Ministry Development Team (MDT) to cover contributions towards tuition fees and maintenance costs at a cost of £342k, compared to the 2025 budget at £331k.

7. Parsonages & Glebe

The last couple of years have seen huge increases in spend on parsonages as we made the conscious decision to carry out works while properties are vacant and made funds available for this to happen, it is also partly due to higher cost inflation in the building industry. The budget for 2026 has been set at £1m for major works, the same as 2025, with a number of properties already identified for projects. The monitoring processes are being reviewed to ensure information is made available in a timely manner to enable the difficult conversations to be had ensuring effective and efficient use of the funds made available.

Glebe costs are lower in 2026, compared to 2025, following the sale of Creed Cottage in early September 2025, which had been budgeted for a refurbishment during 2025.

8. Investment in mission

Mission Income and funding

As noted in the Summary, how funding income is recognised within our financial reports has had a significant impact on increasing the deficit figure for 2026, by £684k, as we are no longer able to release grant funding as we spend it. The full amount must be recognised in the accounts when a grant is awarded. The remaining relevant funding balances have been corrected as part of the September 2025 reforecast process and shown as additional income in 2025 thus reducing the currently forecast deficit. The funding balances being corrected are for project works such as Transforming Mission, Diocesan Investment Programme, Buildings for Mission and FLOURISH.

The deanery plans include plans for mission work, some of which are to be funded from TDBF reserves. These funds will partly finance the Transforming Mission- Phase 1 and 2 projects, which in 2026 is budgeted at £192k (see Appendix 8). Mission funding is also being made available to those deanery's who 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 2026 budget of £230k is a forecast provided by the deanery PSO's for how much will be used or drawn down. The budget will be reprofiled during 2026 when more information is known as deaneries continue to implement their plans.

The Benefact Trust (formerly AllChurches Trust) funding will continue to be used to fund social responsibility work in Truro Diocese and work undertaken by Transformation Cornwall. This funding will be £12k less than received in 2025 as the Trust is changing the way it allocates its funds and is reducing diocesan allocations.

Funding has been awarded in previous years by the national church to support parishes with the stewardship of historic church buildings. This work continues with initial grant funding received in 2024 and 2025 and it is expected that further funding will be available in 2026, however this will not be confirmed until January 2026. As an unknown quantity this has not been included in the 2026 budgeted income figures but does include costs of £45k of TDBF reserves to continue the work to assist with some repairs and maintenance of these buildings and includes £30k for a pilot scheme that can be accessed by schools. This pilot scheme falls with the envelope of the Assets Strategy for the Environment.

The maintenance of buildings remains an area of concern and high costs for many of our parishes and external funding 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 in 2024 for the FLOURISH programme aimed at establishing partnerships between schools and their local churches, will be in addition to the Growing Younger project, the Diocesan strategic commitment to invest £3 million of TDBF reserves through the Assets Strategy. The amount budgeted for 2026 is £300k but as this project is just beginning to gain traction in the latter part of 2025, it will be reviewed and revised as the understanding for resources needed to deliver this develops.

We continue to use LICF to fund work in the lowest income communities in the deanery's, see section 3 above. Reports are received to understand how those funds are spent; ensure

they've been spent as per the grant funding rules and enable us to report that to the Church Commissioners.

9. Church House

Appendix 5 shows the departmental breakdown of the Church House costs which total £2.437m, an increase of £416k (20.5%) on 2025, with all bar £200k of these costs are included in the MMF 'toolkit'. The increase is due to:

- £200k of this increase is for costs to demolish St Paul's church, a recent decision following extensive consultation. These are not included in the Shared costs.
- further safeguarding resources, a Cathedral Safeguard Advisor (£46k/1 FTE), has been added to costs, however it is fully expected that this will be recharged to the Cathedral as part of the annual SLA which is included in income.
- the budget for legal fees, under general governance, has been increased by £30k on the 2025 budget to £100k as we see increases in costs during 2025 (forecast at £133k).
- a website rebuild has been included in the 2026 at a cost of £30k, the last overhaul of the website was in 2016.

Funding for the Generous Giving Advisor roles ends in January 2026. Their roles are currently undergoing a strategic review within the Ministry team. While no further funding has been included in this budget, there may be an opportunity to apply for some in 2026.

We continue to ensure costs are kept to a minimum whilst delivering the highest level of support to the wider diocese wherever possible. A full review of the central team functions will be carried out in 2026 to ensure we are providing value for money and the support that the parishes need from us.

A 3.5% cost of living increase has also been included in this budget for lay staff and amounts to £75k. As with the clergy increase the Remuneration Committee recommended the increase to BDC.

10. Education Trust Fund

As the Education team continues to work with schools across the Diocese, it is a relevant and necessary opportunity to raise the consideration about what our education offer will look like going forward and how it may be funded.

The net spend budgeted for 2026 is £154k, which given the current funds level at the end of August 2025 being at £440k suggests there are about another two years of funding left.

A report by the Diocesan Director of Education is being presented to the BDC in December which may instigate further discussions and recommendations.

11. Net Zero

The commitment to the Net Zero (NZ) agenda continues and the 2026 budget includes more than £650k of spend, this is an increase of over £58k when compared to 2025. The main area of spend is on properties with a budget at £500k, matching that for 2025. The spend in this area not only enables work towards the NZ agenda, it also aides clergy wellbeing and recruitment. When the opportunity is 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, those works include Net Zero works. Budgets for future years 2027 to 2030 will be significantly lower as the spend has been 'front loaded' as per the Assets Strategy in Appendix 4.

As always various other budget lines have increased and some have reduced, when compared to 2025, 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 2026 budget.

There are changes in staffing roles during 2026 but the overall FTE numbers have remained consistent with 2025. The Ministry team includes an additional 0.5 FTE due to the Growing Younger project to support the scope and timely delivery of the project and this has been partially countered by the reduction of a Generous Giving Advisor role, as part of the strategic review being undertaken, as noted in section 9 above.

	2026 budget	2025 budget
Secretariat	4.9	5.3
Finance	3.4	3.0
Operations	6.5	6.2
Ministry	6.8	6.7
Safeguarding	6.2	6.3
Education	3.6	3.4
Diocesan core operational posts	31.4	30.9
Strategic posts funded by grant funding or TDBF reserves:		
Change & Renewal	5.2	4.9
Generous Giving Advisors	1.1	1.8
Net Zero	1.7	1.7
TM	3.8	4.4
Buildings & Land	2.0	2.0
Growing Younger	1.0	0.5
	46.2	46.2

These numbers don't include the people who are consultants for the organisation, the budget for that resource in 2026 is £153k (2025 £166k).

Employee Pension / Defined Benefit Scheme (DBS)

During 2024 and 2025 the TDBF benefited from a pension holiday for employer pension contributions, following the closure of the DBS scheme and a funding surplus of £413k. At July 2025 the remaining surplus was £180k and expected to last approximately a further 11 months (to June 2026), based on the current pension contribution rates. However, the pension holiday has been budgeted to continue until March 2026 due to the cost-of-living increase and FTEs in salary costs in 2026. Employer pension contributions are therefore budgeted to resume in April 2026, and this has been costed into the budget.

Cost of Ministry

Appendix 7 shows the net authorised actual ministry costs incurred by the Diocese, which for 2026 is £4.308m (highlighted green).

During the MMF consultation in early 2025 it was advised that the maximum change of "unit costs" would be 5.5%, including the inflationary increase, thereby capping increases to a deanery's MMF Call, to assist the parishes as they implement their plans and adapt to all the change. The difference would continue to be financed from TDBF reserves.

This budget includes the maximum 5.5% increase to the rates used in 2025 and means a further use of TDBF reserves of £1.746m (figure highlighted in green and boldened on Appendix 7).

Use of funds

Appendix 8 shows the movement in funds. The General Fund is budgeted to be £1.910m at the end of 2026 and is being forecast to be £2.363m at the end of 2025, an increase of £453k in 2026.

Reserves Policy

The draft Reserves Policy is at Appendix 9. The budgeted figures all fall within the Reserves Policy levels.

Risks

This budget is affordable but there are some risks associated with it that need to be highlighted:

- that parishes don't meet their MMF Call;
- there is unplanned spending on properties;
- inflation remains higher;
- exposure to the Cornish property market for selling and buying properties.

There are various controls in place to ensure these risks are monitored and reported as early as possible to minimise the impact on the TDBF budget.

Recommendation

That the Diocesan Synod approve the 2026 budget.

Sophie Eddy

29th October 2025