



Lichfield Diocesan Board of Finance

Budget 2026

LDBF FINANCIAL ACCOUNTABILITY

Introduction

In July 2025, General Synod approved the Triennial Working Group (TWG) recommendations following a review of Diocesan Finances, but also taking into consideration clergy remuneration and pensions.

The 2026 Budget takes into consideration these significant changes and this document also takes into consideration the three consultations in September across the Diocese,

At the same time, internally we have tried to make the budget even more transparent, including a change to the Cost of Deployment formula.

The most significant changes reflected in the budget from the TWG are as follows: -

- An increase in the National Minimum Stipend to £33,350 – an increase of 10.7% from April 2026
- An Increase in the National Stipend Benchmark of 10.7% to £34,950 from April 2026
- An Increase in the Low-Income Communities Allocation (see page 5)
- A reduction in General Synod Central Apportionment (see page 16)
- An increase in the pensionable Stipend, although reduce the pensionable percentage rate from 22% to 21% from April 2026 (still under consultation)
- Transitional or time Limited Funding over the next nine years (see page 6)

In producing the Budget with the additional funding there was a very easy option to eradicate a deficit budget and simply utilise additional Low-Income Allocation (LinC) and Time Limited Funding (TLF), to finance the status quo. That would be simply a short-term fix and a wasted opportunity to address the challenges that the Diocese face. Whilst LinC is fixed and will increase by inflation, the TLF will reduce as it is transitional so it would not resolve the problems we face in the longer terms.

As a result, although TLF is included in the budget under income, it is proposed to be transferred out to a new Designated Fund, called Seeking The Kingdom, where funds can be allocated in due course towards agreed objectives with agreed targets.

The draft budget shows a reduced deficit for 2026, £254,648 to be transferred from general reserves compared to £457,928 in the 2025 budget. This is a reduction of £203,280.

Resourcing The future (RTF) also shows a reduction in transfer from £564,224 to £500,826. This transfer is an agreed transfer to assist with the transfer of the apportionment system from the Parish Share to the Common Fund in 2022, plus agreed transitional support for interim ministry. Over the following years the transfer from this fund will reduce to zero with the figure either producing increased Common fund receipts or reduction in deployment costs, or a mixture of both.

In total, excluding the Historical Growth Income (Total Return Approach (TRA)), the Board will be supporting the Budget to the sum of £755,474 in 2026, compared to £1.022M in the 2025 Budget.

1. Overview

This section simply highlights some of the headlines within the budget; further detail is within this document.

- a) Common Fund Formula – Subsidised Cost of Deployment to be increased by 3.30% to £60,712.
- b) The adjusted Real Cost of Deployment increased from £63,484 to £64,233, the adjustment is that Total return is now classified as Generated income in the calculations – to be shown on the requests as a separate line.
- c) General Inflation set at 4% - although this varies across different areas.
- d) Stipend increases set at 4.1% increase in Jan 26 and a further increase of 6.77% in April 26 to reach the national Stipend Benchmark of £34.950 – a total increase of 11.14%.
- e) Total Deployment 214.45 posts, plus a curate pool of 20.
- f) Vacancy factor increased from 15% to 17.5%.
- g) Basic Salary Increases 4.1% - budget includes a contingency of up to 7.5% for lower paid staff.
- h) Overall budget expenditure is increased by 0.49%.

2. Diocesan Budget

The Diocesan Budget represents the day-to-day transactions of the Board, including the receipts of the Common Fund and other income and the costs attributed to them, such as Stipends, and contributions to General Synod. It explains the costs that the Common Fund contributes towards and other areas of income that assist in meeting the liabilities of clergy stipends, housing, pensions, administration, and central support services (Central Sector Ministry).

It does not contain the transactions of the Designated and Restricted Funds unless any transfer or payment from the funds is due to the Unrestricted Funds. These Specialist Restricted Funds do not have individual budgets; however, their annual transactions are reported in the Board's Annual Accounts and the Trustees, Boards and Committees responsible for these Funds receive regular reports. Copies of these reports are available on request.

Such is the complex nature of the Church's Financial Rules and Regulations that some of the income and expenditure from the Designated and Restricted Funds affect the day-to-day transactions. These naturally must be included in the Budget.

They are as follows: -

- Church Commissioners' Low Income \Communities Allocation
- Income from the Pastoral Fund, Trust Reserve, and Diocesan Stipends Fund.
- Income received from the Walter Stanley Trust
- Grants to/from any Designated or Restricted Fund expected within the year.

3. Income

a) Common Fund

The formula or base figure in the Common fund apportionment system, introduced in January 2022, remains the same as the Subsidised Cost of Deployment, and therefore the formula increase to parishes is set at 3.30%.

However, within the apportionment system there are 12 categories based on the ranking of Indices of Multiple Deprivation (IMD). Within the formula the November 2024 data was used, this is the first change since the system was introduced and 44 parishes have changed categories, 34 have reduced category and 10 have increased. The normal change is simply one category.

With the additional LinC funding, see below, it was agreed that categories 1-6 – those who are ranked in the lowest 5000 deprived parishes would not receive an increase in 2026 and the extra LinC funding would be used to fund the increases. Those above the 5000 ranking will see a 3.30% increase. There was a small change to category 2, so the category included up to 1470th parish in the country. The reason for this figure as it represents 25% of the population live in the 1470 most deprived parishes, a figure the National Church highlight on the LinC allocation.

There remains the level of Mutual Support within the formula, and after a great deal of consultation it was agreed not to change these levels for 2026 but review the situation for the 2027 budget and make any changes should there be a need to do so.

This gives a new table as follows: -

IMD Rating		<u>2026 Table</u>			
From	to	IMD CAT	LINC	MS	TOTAL
		0	0%	1.00	
1	625	1	41.60%	0.90	51.60%
626	1470	2	36.84%	0.93	44.34%
1471	1700	3	32.08%	0.95	37.08%
1701	2500	4	27.32%	0.98	29.82%
2501	3750	5	22.56%	1.00	22.56%
3751	5000	6	12.88%	1.00	12.88%
5001	6250	7	0%	1.00	0.00%
6251	7500	8	0%	1.05	(5.00%)
7501	8750	9	0%	1.10	(10.00%)
8751	10000	10	0%	1.15	(15.00%)
10001	11250	11	0%	1.18	(17.50%)
11251	12500	12	0%	1.20	(20.00%)

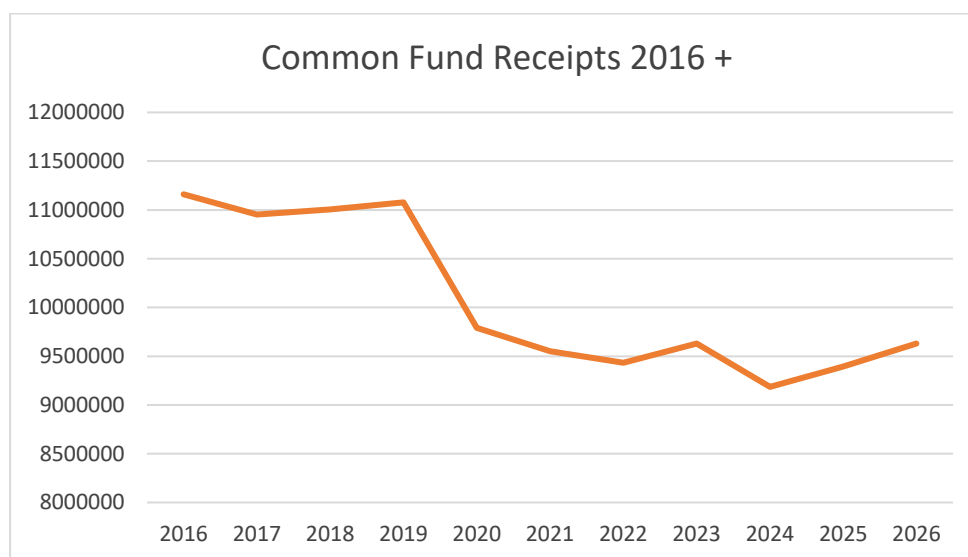
It is accepted that the IMD rating is not perfect for allocation purposes and those attending church do not necessarily reside in the parish that they live, however, given this forms part of the formula that allocations the LinC funding it is possible the most appropriate.

Equally it should be noted that the IMD measures deprivation and it does not measure affluence.

Collection

The key to the budget is what is realistically deliverable from parishes rather than the amount requested. Historically there is no pattern of the more asked the more you receive – in fact the data indicates that the increasing requests delivered lower collection rate percentages, and no evidence of more cash receipts. It is accepted that it is a delicate balance between a challenging request and one that is simply not affordable and therefore the Common Fund becomes forgotten in the general scheme of things.

Based on current data the forecast for receipts in 2026 range between £9.33M and £9.93M. The table below assumes the lower figure and shows receipts since 2016.



The latest indications are that the overall receipts for 2025 will not be far away from the budget figure set, and a huge gratitude goes to the parishes and volunteers and generosity across the Diocese. The budget includes an increase of 2% but based on the latest estimates, the budget figure may be closer to a 2.5% increase on the 2025 out turn figures. It is appreciated that this is challenging at a time of economic uncertainty, although it is not felt unreasonable at this stage.

Based on the draft formula requests, the target is around 96.5% collection of the requested figure.

Arrears

One final area when setting the Common Fund request is the management of arrears. There seems little point in setting requests that cannot be achieved. This purely adds to arrears and additional mill stones around parishes. There is a fine balance between a realistic challenging target and one that parishes simply give up on as it is deemed simply impossible to achieve. One challenge was to try and manage the rapid increase in arrears – including the Parish Share Support in 2020 and 2021. There have been many agreed packages and support and this work will continue into 2026, and any parishes who is finding the financial burden too excessive they are encouraged to contact the Finance Team and Archdeacon, as help is available.

Generosity

Within the formula is the option for generosity. The requests are classed as the minimum request. Where parishes have been able there have been examples of support, either financially with parishes making additional payments to help other parishes or providing resources that have benefitted other parishes. Examples of generosity have increased as the year has progressed, and it is hoped this will continue to enable other parishes to be generous to their fellow parishes.

In addition, there are new materials on generosity, especially through Cornerstone, as well as a grant pathway conjunction with the National Church. There is also Church Organiser as centrally the Finance Team is trying to help promote Churches and Halls both within the church family and to the wider community. There are also various different methods of receiving donations and encourage all parishes to contact the finance team or finance website to discover more.

b) Grants Low Income Allocation & Time Limited Funding

An area where there has been significant change. The total amount has increased by one third over inflation, rising the amount allocated through LinC to £42.75M.

These grants reflect the Low-Income Communities in the Diocese through the IMD – Indices of Multiple Deprivation – and is the reason this is now used for the Common Fund formula. It is accepted there is no perfect way of allocating funds, and every parish will have their own version or ideas of what can be used, but based on how the funds are received it remains logical to use the similar method for distribution.

In the previous budget the forecast for LinC funding was as follows: -

	2023	2024	2025	2026	2027	2028	2029	2030
	£M	£M	£M	£M	£M	£M	£M	£M
LInC	1.801	1.864	1.928	1.994	2.063	2.135	2.208	2.284
Transitional	0.213	0.128	0.046					
Total	2.014	2.192	2.174	1.994	2.063	2.135	2.208	2.284

After the review these figures have increased significantly as follows:

	2025	2026	2027	2028	2029	2030	2031	2032
	£M	£M	£M	£M	£M	£M	£M	£M
LInC	1.994	2.633	2.741	2.847	2.947	3.051	3.157	3.268

2029 onwards are estimated.

In addition to the amount received, the fact it will now be increased by inflation makes the funding easier to utilise strategically as it is guaranteed funding. The National church do ask the fund is used for the most deprived parishes in the Diocese, some Diocese simply use the fund as general income and apportion across the Diocese. As mentioned under Common Fund, in Lichfield, the funds are allocated or apportioned towards the parishes ranked under 5000. In total there are 171 parishes included in the first six categories.

Time Limited Funding

From the Diocesan Finance review, it was identified the accumulated loss across the diocese exceeds £60M, although there is a debate over whether diocese could use more of their historical resources.

So, from 2026 the National Church is making available £100M in total until and including 2034. £25M or a quarter of the fund is being released in 2026, and then the figure decreases over the following eight years. £21M will be allocated in 2027 and £17M in 2028.

The funding is unrestricted and available to the Board to allocate. In total Lichfield will receive £3.801M. The funding is estimated as follows: -

2026	2027	2028	2029	2030	2031	2032	2033	2034
£M	£M	£M	£M	£M	£M	£M	£M	£M
0.943	0.793	0.643	0.493	0.383	0.270	0.157	0.078	0.039

2029 onwards are estimates.

Whilst one option was to simply utilise the funds to clear the deficit budget and potentially reduce the Common Fund request, given the amount decreases over the forthcoming years then whilst there would be a short-term gain, in the longer term the issues would not only still remain but given inflation increase, multiply. During the consultations there has been very little appetite to use the funds in this way. There was also no interest of this route internally at the Diocese either.

The decision made and reflected in the budget, is to transfer the allocation each year into a designated fund, called Seeking The Kingdom, and therefore make funds available for the key tasks within the Diocesan Strategy and Vision and allow the Diocese to invest in areas of growth and sustainability. The expenditure of the fund will be overseen by Bishop's Council and reported to Diocesan Synod within the new proposed governance structure.

c) Fees

In addition to the generosity shown in Parish Contributions the parishes also contribute significantly to fees. The figure in the Budget represents the DBF fee due in accordance with the Ecclesiastical Fees Measure 1986 and updated tables.

At the time of the Budget is put together the Fees table is not available, however since the issue of the 2026 fees it is very much in line with the workings of the Diocesan budget. Despite comments to the contrary, fee income in the Diocese had not fallen significantly at any stage (pandemic exception). However, there was a clear drop at the end of 2023, and this continued in 2024 – although the year end figure matched the 2023 figure – this does appear to have continued in 2026 – although there appears to have been a slight uplift in the second part of the year.

It is a difficult one to judge as timing on collection of fees always makes this a difficult area to budget. It is known, understandably, parishes hold back fees, despite their statutory nature, due to cash flow. A new system for monthly fees returns and collection of fees is currently being reviewed and further details will be communicated in due course. Any change in system must be able to work at parish level and centrally - the last thing we want to do is add to the workload of the parish.

d) Investment Income

This section represents dividends and Glebe Land rentals.

As seen in the Financial Statements for 2024, Investment Income has fallen sharply. This is purely down to the need to sell investments to finance the cashflow of the Diocese. Sales in 2023 and 2024 have now impacted on income as forewarned in previous reports. The main reason for this is that rather than being a net cash inflow on the capital transactions, in 2024 there was a large cash outflow, in the region of £2M.

Whilst progress has been made in the sale of properties in the current year there still has not been an opportunity to make an investment due to the volatility of the global stock market but also the ongoing issues over the liquidity levels of the Board.

Work continues on this area and within the budget and forecast potential capital movements has been included – house sales and potential Glebe development sales. The budget figure is based on the current investments and projected income increased by a benchmark increase in dividends. Whilst it is noted there has not been the opportunity to increase investments, the positive is that no further shares or investments have had to be realised simply to ease the cash flow.

Work has started on a Capital Plan that will be developed in the first part of 2026 and will take into consideration the current forecast models that form part of this document.

At the same time work is being undertaken on existing housing stock, and where the opportunity arises to exchange or “flip” the property. This expression means to sell an older

or less efficient house and replace with a more modern property. There has already been a few of these exchanges carried out, and not only have the Diocese improved their housing stock in quality of the property, a profit on the sale and purchase has also been made. It is appreciated this will not always be the case, although the policy is to try and make any loss and exception not the rule.

Part of this exercise is identifying “niche” properties that should sell in the current market and should with hope attract some competition.

The Capital Plan will set targets of expected receipts from sales etc. Apart from easing the cashflow the policy is some of the proceeds will be invested, and the aim is to try and fund in the region of £2M to invest each year. Any surplus of course could then be used to either support the budget or support new areas of work and initiatives, such as Net Zero or other projects in parishes across the Diocese.

This exercise is an example of where Total Return, Cashflow and the budget are joined together. It is important that to retain a sustainable cash flow or liquidity then new cash needs to be injected into the system, and the Board cannot rely on simply transferring assets – at some stage something must be sold, whether it be Property, Land, or Investments. Built into the thinking and the forecast is to try and realise £6M in sales of Property (or Land) by the end of 2026 to help finance the Total Return, stabilise the cashflow and as mentioned above invest to increase future income.

The budget includes a decrease of 17% to reflect the current situation. Any sale in 2026 will not start to impact the budget until the following years. It is important that the Board must remain proactive on our Asset Management.

e) Property Income

This section is house rental income. In recent years this has been an area of income growth, partly due to the more proactive action not to leave property vacant. Whilst it may be said that the high vacancy rate has meant more property rental income, this is not necessarily the case. Benefice Houses are the most difficult to rent. Posts are advertised and trying to be filled and given that to rent a house a nine-to-twelve-month window is required for a rental; it is not always practical to rent out the house. The reduction in curates' numbers has certainly enabled an increase in rental income.

Another factor to take into consideration is The Renters Bill. This will potentially have an impact on the rental income where the rental window will increase from 9 – 12 months, to potentially 15 to 18 months.

The Finance and Property Team have already been proactive in this area and work has already commenced. It may result in a “fire sale” style approach, or open discussion with Insurance Companies who often look for short term tenancy landlords to help with insurance claims. It is not believed that this will impact on the 2025 and 2026 rental but moving forward we may see this source of income starting to fall. Of course, it may also fall if the vacancy rate falls, or curate intake rises in future years.

f) Total Return – (Historical Endowment Growth)

There remains much debate where this section of incoming resources should be shown. The inclusion under income is based on the grounds that it will be a regular source in the coming years and the funds will be used against day-to-day activities. If the plan or strategy was simply to transfer investments or property each year, then the argument for this to appear under transfer of reserves would be correct. If any of these funds are agreed to be used for specific projects, then it will be reported but unless it directly impacts the Diocesan budget it will be way of a note.

The aim in the Budget and financial strategy is to be far more proactive in the sale of property assets, and ideally Glebe Land, to generate cash to ease the cash flow issues facing the Diocese and to spend the funds towards stipend and related costs – with the intention of having some proceeds left over to invest.

This resource is naturally linked to the Capital Plan and Asset Management. To do nothing with the assets and hope values increase and simply transfer growth will not help the Diocese as cashflow needs to be always take into consideration on any financial related issue.

In the 2026 Cost of Deployment this section is now shown under Diocesan resources so form part of the subsidised Cost of Deployment. In simple terms it has been moved from the subsidy and embedded in the Budget moving forward.

In the 2026 Budget due to the struggle with other income sources it has been decided to retain the figure at £650,000.

Resourcing The Future

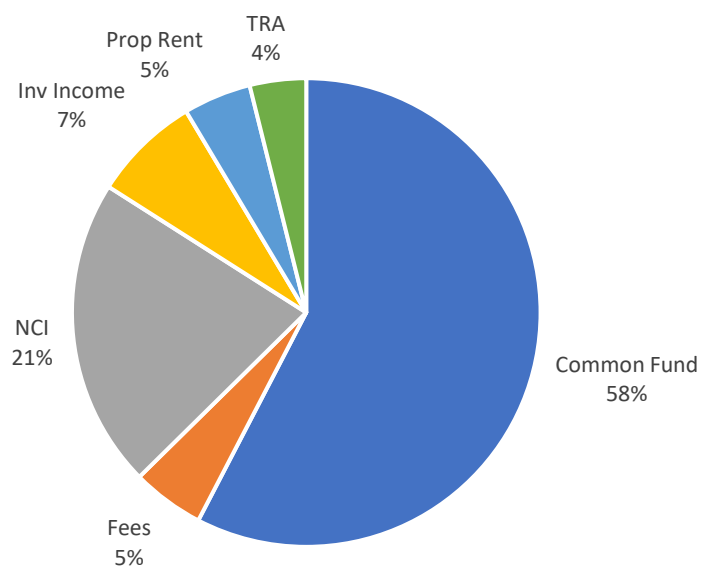
Whilst the concept was agreed by the Diocesan Investment Group in 2014 it came into being in 2015. The idea was that a percentage of house and land sales be invested into a restricted fund to try and raise £7M. The investments would be reinvested or accumulated and generate income that would be initially used to support posts that were not to be refilled due to Pastoral Reorganisation but would remain filled until the post became vacant.

The intention was not to use the capital and eventually release the income into future Diocesan Budgets.

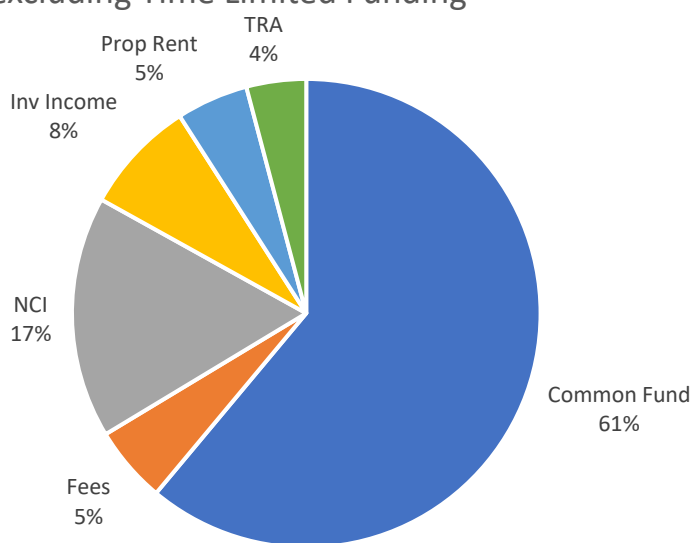
The target was never reached, however with the change in the Parish Contribution formula in January 2022 in conjunction with the Shaping For Mission exercise; at Bishop's Council in May 2022, it was agreed how this fund may be utilised to support some of the challenges currently facing the Diocese and free up some funds to support the Budget for 2024 onwards during a period of transition. The support figure from the formula is included at the bottom of the Budget and is a transitional figure. This will reduce over time, and the aim is within five to seven years the figure will be zero – unless the funds run out first. In the 2026 Budget the amount is made up of two forms of transitional support.

Agreed Transitional Support towards Interim Ministry	£252,093
Agreed Transitional Support towards change to Common Fund	£248,733
Total	£500.826

Income 2026



Income 2026 excluding Time Limited Funding



4. Expenditure

As previously the format of expenditure is in line with the National Church and their recording of diocesan finances. It identifies sections where costs are incurred and if expenditure was to be reduced it can be broken up into different cells, and lines up with the Cost of Deployment. The format also aligns with the reporting at year end, the best example being that Council tax and Water Rates are represented under Housing.

Since the inception, the layout has helped Budget Review and other finance committees in planning and proved to be a more useful tool, segregating areas, and allowing the flexibility to look at fixed and variable costs in more detail.

a) Deployment

This largest section of expenditure simply reflects the direct costs of parish deployment, excluding Curates.

In the budget this element is made up of Parochial Stipend Ers Ni and Pensions, plus associated costs such as Chaplaincies and BMOs, Rural Dean and Team Rector Allowances, Relocations Grants, pluralities, and sequestration costs etc. In past budgets, this section would also have included DVE – Mission, Ministry and Education, however this has now been moved into central salaries and operational costs.

In the Cost of Deployment, nonparochial costs mentioned above have been included in Other costs, leaving the Deployment or Parochial Stipends as a stand-alone figure. Council tax and Water rates continue to be included under Property costs as per the accounting requirements.

The stipend section includes: -

Stipend increase of 4.1% in January 2026, and a further increase of 6.77% in April 2026 so the Diocese pays a stipend in line with the National Stipend Benchmark. This does equate to a 11.15% increase.

The Deployment figure in 2026, is calculated by taking the anticipated posts as at the start and end of 2026 and averaged for the year. This refers to posts that are either filled or vacant but intended to be filled – it is the link figure to the Common Fund formula. In 2026 this is 214.45 posts, compared to 216.75 in 2025.

In addition, the **vacancy rate** has increased from 15% to 17.50%. This means that the deployment budget in terms of FTE posts is 176.92 posts. In 2025 the figure was 184.24. The vacancy rate is reduced in the forecast in the desire to reduce the vacancy rate in future years.

Pensions, in 2025 the budget included a contribution rate of 24%, this was reduced from 25% when the Ers NI adjustment was made. It was deemed to be a safe risk. As happens early in 2025 the rate was dropped from April 2025 to 22%.

Therefore, there is a drop in the budget to reflect this change in 2025. It is reduced further as a proposal to reduce the rate to 21% has recently been received, and it is highly unlikely Diocese are going to vote against such a reduction.

So, in Pensions, there is the adjustment for the increase in the pensionable sum, the national minimum stipend from April 2026 – this is an increase as previously it had been based on the previous year's rate. The contribution rate is set at 21%.

This has resulted in an actual drop in the pensions budget from £1.339M to £1.208M.

In an attempt to be more transparent, the Budget for 2026 has split out various costs that were embedded in the Budget for last year.

Archdeacons and Area Staff costs were included in Direct Costs, whilst Chaplaincies and BMOs were included under Deployment. A new section called Area Costs has now been created where these costs and some from the Central Sector Ministry have been moved into this new group.

This makes the comparison difficult for the 2026 Budget especially as the accounting process through the current year has not split the actual costs between the new pots. The change will happen at the start of 2026. Whilst an estimate could be made, it is felt that this could be miss leading in the future and to provide a simple breakdown as a reset is more meaningful.

Parish / FX / Sector ministry stipend and associated costs

	2026	2025
	£'000	£'000
Deployment	6,628	6,581
Pensions	1,208	1,339
Area Costs	742	
Direct Stipends	596	869
	9,174	8,789
Area Costs		
Area Staffing	504	
Chaplaincies and BMOs	170	
Associated Costs	68	
Total	742	
Direct Costs		
Relocation	229	
Vacancy Support	239	
Glebe Outgoings	61	
Other	67	
Total	596	

b) Curates (IME4-7) – Curates Budget

This section reflects the cost of the curates placed in parishes. This section includes Stipends Plus Ers Ni and Pensions. The housing costs including Council Tax and Water Rates remain under the Housing Budget.

Curate stipends will increase by 10.76% in line with the National Minimum Stipend (NMS) and the new figure is £33.350 by April 2026. As with the stipends above it is suggested that there will be a 4.1% increase in January to £31.345 and then a further 6.4% increase in April to the new NMS.

The Diocese is struggling to recruit curates, and it is a national problem not just Lichfield.

Given the number of curates in post and future intakes, and trying to be realistic, then the Curate pool budget is reduced to 20 from 22. In line with Seeking The Kingdom, it is hoped this figure will rise in future years. There is no cap on the intake and if Lichfield are able to attract more curates than budgeted for then there will not be an embargo and hope that once trained, they can then be retained.

c) Property

This expenditure budget does not just include house maintenance costs, it also includes Council Tax and Water Rates, and Insurance costs. In the last couple of years, due to the cost of some large in going works, the process has been discussed and a change has been applied for the 2026 budget and the way the department has started to work.

Essential works will continue but the aim is to try and operate a planned work schedule. When a quinquennial takes place, preventative work will be identified and carried out, any other issue will be planned for future works and a timescale will be set against the work. This is an attempt to ensure that the budget is best utilised, and work is prioritised to remain within the budget that is set.

Naturally this work will go hand in hand with the Asset review and Management, and any houses that are identified as expensive to maintain will be considered for disposal. The department will take Net Zero into consideration and also look at the EPC of each property. In some cases, it may appear that to sell a house and purchase a more modern property is the simplest answer, but the availability of a suitable house in the vicinity also needs to be taken into consideration.

With the rising costs of building materials, the budget does have an increase of 5.05% for 2026.

In addition to the budget figure for maintenance there is also a pot of £137,800 (this has been increased from £132,500 in 2025) from the Pastoral and Diocesan Stipends Fund towards significant planned maintenance and environmental work. Emphasis has been put in trying to improve the energy efficiency of the Board properties, although there are limitations due to financial constraints. The first exercise has been concentrated around boilers and ensuring all houses have more than adequate loft insulation, and an exercise is ongoing regarding cavity wall insulation.

In respect of Council Tax and Water Rates, it should always be remembered that the full costs are paid regardless of whether an appointment is full time, part time or House for Duty. So, the number of houses used for Utility bills is higher than the deployment figure.

At the Budget Review Group, after consultation with Severn Trent and South Staffs Water Companies, to move all remaining rateable properties to Water Meters. This exercise commenced in 2024, concentrating on the higher rated properties. Nearly 50% of houses are now on meters.

Indications are that this may well save the Diocese up to 25% on the cost of Water Rates. At present the intention is to use any saving to support environmental projects within the property team as part of the Carbon Net Zero exercise.

	2026	2025
	£'000	£'000
Property	1,834	1,775
Insurance	105	66
Rates	816	755
Database	27	33
	2,782	2,649

d) Diocesan Support

The costs are split between staff salaries and associated costs and the cost of operating a Diocesan office.

Staff Costs: -

This section looks purely at the General Central Office salary costs, so includes the Secretariat and Governance department, Finance Team, Property, Communications, Safeguarding, DAC, DMPC etc.

For 2026 the Central Sector Ministry for Mission and Ministry and Board of Education are now also included in the salary and operational costs. This has been done so the cost of the “centre” in supporting clergy and parishes can be seen as one element of costs. It is all part of trying to be more transparent.

Salary costs are either equal to or as in recent years less than that of the stipend increases. Within the budget there is a standard 4.1% increase across the salaries in line with the inflationary increase given to the stipend. There has been much discussion on the back dated inflationary increase, both at Budget Review and also at the Pay and Conditions Group. Given the rate of inflation in recent years, there is an argument that some of the lower paid staff should have a larger increase, although there is a debate of the definition of lower paid staff and also the question over differentials should some staff receive larger increases than others.

There will be a staff review to ensure staff are at the right pay scale, and to cover any increases, the budget includes an average 7.5% increase for some staff depending on the

pay grade. This is not in addition to the 4.1%. All staff over the stipend equivalent (stipend, pension, and housing benefit) are not part of that consideration.

The budget therefore has an increase in staff costs of 7.57%, although some additional staff were added during 2025, in particular in Safeguarding where one of the highest risk areas to the organisation was woefully understaffed. There have been reductions in staffing in other areas, including a transfer of costs to the Board of Education for a contribution to the costs of the Director of Education. The Staff review that will be undertaken in the first part of 2026 may result in further reductions. Equally it is highly unlikely all staff listed in the budget to receive the higher increase will actually receive the increase.

Operational Costs

This section looks at the Operational Costs including the running of a Diocesan Office building. The costs also include officers' expenses as well as Computer Maintenance, audit fees, insurance, and also other Statutory Costs such as the Registrar.

Overall, the budget shows some reductions in operational costs, but this does take into consideration the transfer of some costs to the new Area Budget, in particular Clergy Well Being.

In the meantime, there are some significant costs that are increasing, none greater than Insurance costs, Computer Security and Maintenance and Heating and Lighting, especially taking into consideration that the heating system for the Diocesan office will move over from Gas to Electric once the new boiler is installed in line with the NZC policies. The old Gas Boiler was condemned three years ago.

The central costs have now been reapportioned for 2026 to allow the senior managers to review their own area of work and resources required to meet the growing demands that are placed upon us for statutory reasons, or simply the increased demands from parishes on the centre.

Consideration is being given to move some of the statutory costs, such as Insurance and Audit to Statutory and Legal costs, as both are statutory requirements – house or vicarage insurance will remain under the property budget.

As mentioned previously the central costs now include all central services and support to clergy and parishes, the two separate divisions of DVE and CAST (Central and Support Team) have been merged to show the true central costs. Across diocese 20% appears to be a benchmark figure, although there are very few dioceses who are below that figure.

	2026	2025
	£'000	£'000
Total	2,996	2,924
Salary Costs	2,146	1,995
Non-Salary Costs	850	929
Percentage of Expenditure	18.13%	17.78%

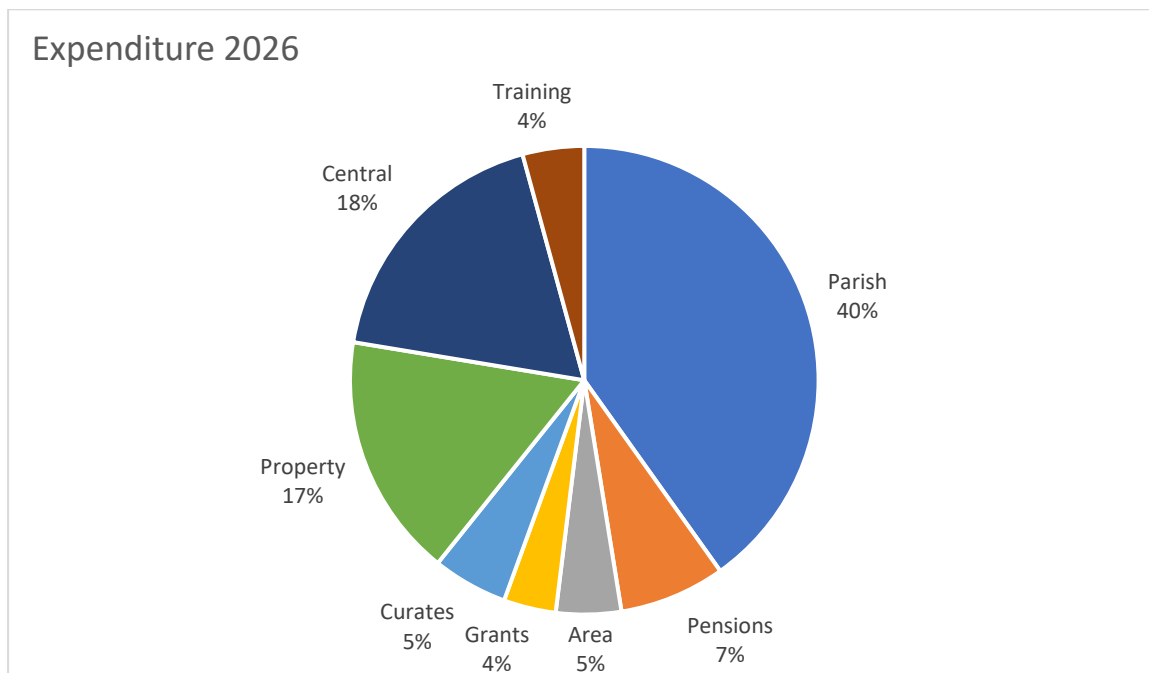
e) Initial Ministerial Education 1-3 Costs

This area of costs are simply the training costs of Ordinand at colleges – was previously called Training Grants or Ordinand Grants. The costs will cease at the end of August 2026, and will be financed by the National Church under the Training Maintenance Fund that is being set up to replace the historical Training Vote 1 allocation. This will therefore produce a saving in future budgets.

f) General Synod Apportionments

An area of significant change following the Review approved in July 2025. Whilst Diocese will contribute towards the new Training Fund, all other costs will be financed by the National Church. This provides a significant saving on expenditure. There is a slight transitional period due to the Pooling apportionment, but this will end in 2027 once all Ordinand Grants (see above) become National responsibilities. The concept is the National church will be in a better position to rationalise and control future training costs and locations.

	2026	2025
	£'000	£'000
Training for Ministry	471	431
Pooling	129	161
National Church (Votes 1)	600	592
National Church Responsibilities	-	257
Grants & Provisions	-	45
Mission Agency & Pensions	-	15
CHARM	-	187
National Church (Votes 2-5)	-	504
 Total	 600	 1,096



Cost of Deployment

With such significant changes planned for 2026, with increase in income streams, and Total Return and the Common Fund being proposed as fixed at nil increase to categories 1-6 and 4% for categories 7-12 it is an opportunity to try and make the Cost of Deployment easier to understand hopefully more transparent. The model carried forward was when the apportionment system changed in 2022, to ensure there was no change in request.

Costs

Stipends/Ers Ni and Pensions	£44,286
Property	<u>£12,975</u>
Total Direct Costs	£57,261
Training Costs	£ 7,277
Other	<u>£20,277</u>
Total Costs	£84,815
Less Vacancy (17.5% - 37.50 FTE posts Stipends/Ers Ni % Pensions) *	<u>(£7,750)</u>
Total Costs	£77,065

***The current vacancy rate predicted is closer to 23%, which would be 50 FTE posts and equate to £10,185.**

This cross casts with the budget by simply dividing the current budget costs of £16.526M by the deployment number 214.45. This represents 1.59% increase on the unit cost in 2025.

The total cost of deployment does not include Area Posts, Chaplains, and BMOs, these appear under as a section under other. The unit cost is £3,520, similarly with Sequestration costs and relocation costs etc which have a unit cost of £2,782.

Other Costs includes as follows: -

Area/Chaplaincies and BMOs	£ 3,520
Misc Costs, relocation, Sequestration, Relocations, Plurality etc	£ 2,782
Staff Salaries	£10,008
Operational costs – Stat & Legal, Insurance, Dioc Office, Audit etc	<u>£ 3,967</u>
Total	£20,277

To get to the cost of Deployment, then the income generated is set against the costs, and this is where there are different models. The easiest one is simply taking, Fees, investment Income and Property rental, again income divided by 214.45 to give a unit cost.

Summary Diocesan Budget 2026

Fees	£ 3,892
Investment income	£ 5,781
Property income	£ 3,649
Total Return	£ 3,031
Total	£16,353

This would give a net cost of deployment **of £60,712**. A rise of 3.3%

This figure is still a subsidised figure, as the budget remains financed by various reserves.

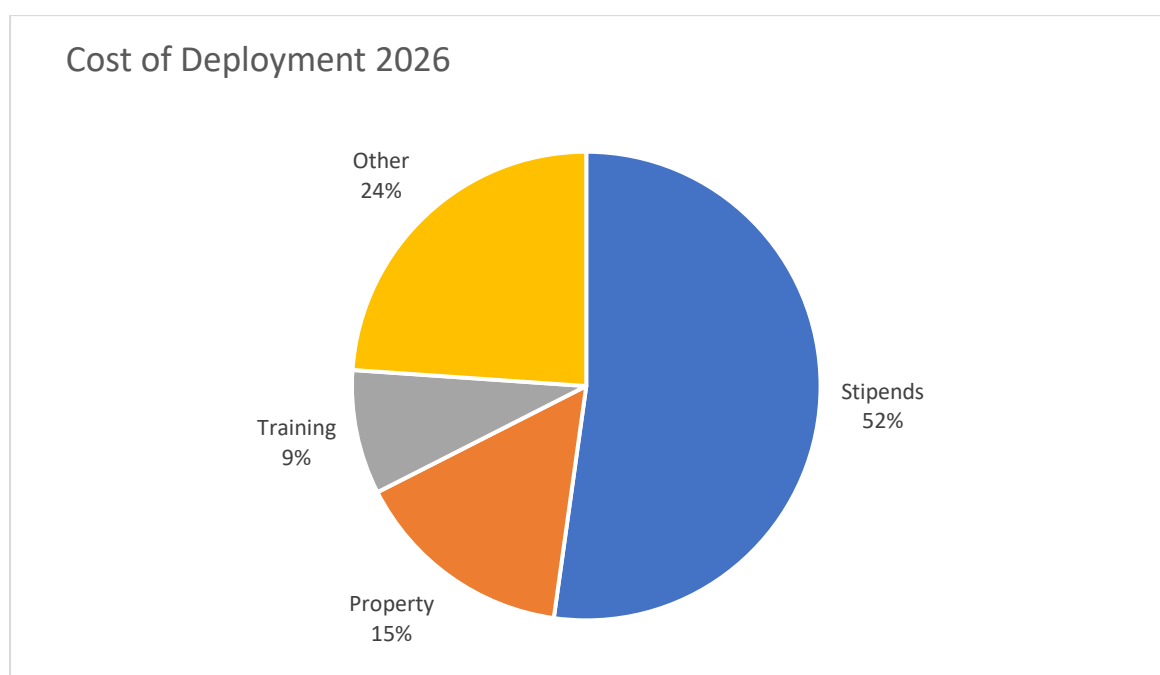
In total the budget is currently showing

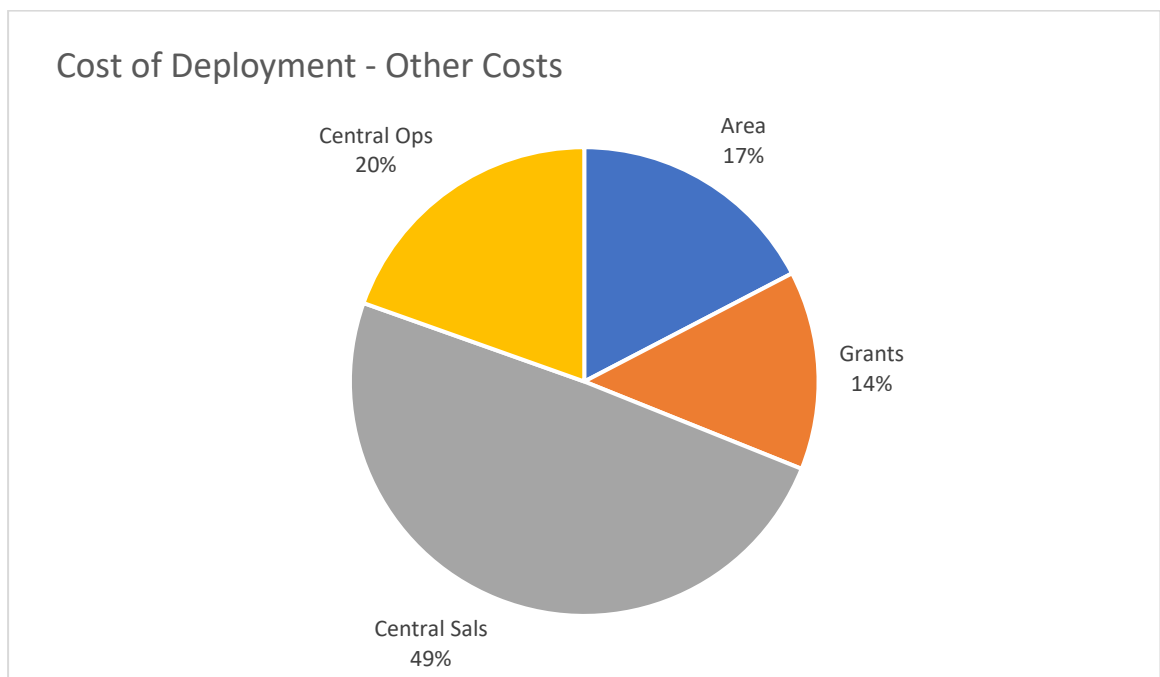
Total costs	£16.526M
Income – Fees, Investment Income and Property rental	£ 3.507M
Balance	£13.019M

This is financed by:

Common Fund	£ 9.632M
LinC - Low Income Allocation	£ 2.633M
RTF – Resourcing The Future	£ 0.500M
General reserves	£ 0.254M

Total	£13,019M
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Budget 2026

	2025 £'000	2026 £'000	Change £'000	Percent
Income				
Common Fund Offering	9,442	9,631	189	2.00%
Parochial Fee Income	802	835	33	4.00%
Grants	2,174	3,576	1,402	64.49%
Investment income	1,497	1,240	(257)	(17.11%)
Property income (e.g., rental income)	859	782	(77)	(8.94%)
Historical Growth through Total Return	650	650	-	-
TOTAL INCOME	<u>15,424</u>	<u>16,714</u>	<u>1,290</u>	<u>8.37%</u>
Expenditure				
Deployment (Stipends etc)	8,789	9,174	385	4.38%
Curates' costs (IME 4-7) *	874	858	(16)	(1.84%)
Property	2,649	2,782	133	5.05%
Diocesan Support – Staff Costs	1,995	2,146	151	7.57%
Diocesan Support – Operational Costs	929	850	(78)	(8.42%)
Initial Ministerial Education 1-3 costs	98	103	5	5.00%
National Church IME 1-3 contributions (Vote 1 & pooling)	592	600	8	1.33%
National Church contributions (Votes 2-5)	504	-	(504)	(100.00%)
Other	16	13	(3)	(21.84%)
TOTAL EXPENDITURE	<u>16,446</u>	<u>16,526</u>	<u>80</u>	<u>0.49%</u>
NET SURPLUS / (DEFICIT) BEFORE TRANSFERS AND GAINS / (LOSSES) ON ASSET SALES**:	(1,022)	188		
**Transfers (to)/from restricted and designated funds				
Seeking The Kingdom	-	(943)		
Resourcing The Future	564	500		
Transfer from General Reserves	458	255		
NET SURPLUS / (DEFICIT)	-	-		
<i>Budget surplus / (deficit) (% of income)</i>	<i>2.97%</i>	<i>1.52%</i>		

Standard Cost of Deployment - 2026

	Cost	Pence
DIRECT COST OF STIPENDS	2026	Per/£
	£	2026
Stipend/NI & Pensions	44,286	48*
Housing inc. Insurance, Council Tax and Water Rates	12,975	17
TOTAL DIRECT COST PER POST	57,261	65
Cost of training future clergy	7,277	9
Other Costs	20,277	26
TOTAL GROSS COST OF DEPLOYMENT	84,815	100
Less Vacancy Factor*	7,750	
Adjusted Cost of Deployment	77,065	
<i>Less Income from Other Sources</i>		
Diocesan Generated Income	16,353	
Subsidised Cost of Deployment	60,712	
<i>Use of Reserves</i>	3,521	
<i>Real Cost of Deployment</i>	64,233	
Other costs to be covered: -		
Area Chaplaincies and BMOs	3,520	5
Miscellaneous (Vacancy Support, Relocations etc)	2,782	4
Central Support – Staff costs	10,008	12
Operation and Statutory Costs	3,967	5
Total Other Costs	20,277	27

Common Formula Request Template 2025

Cost of Deployment	£64,233
Low Income Communities (LinC) Allocation	£0
Extra LinC Allocation (Special Arrangements)	£0
Mutual Support	£0
Formula Cost of Deployment	£64,233
Diocesan Support through reserves	(£3,521)
Special Arrangement	£ 0
Total Diocesan Support	(£3,521)
Formula Request	£60,712
<i>Agreed adjustment</i>	£0
Minimum Common Fund Contribution 2026	£60,712

Forecasts

The final document is the forecast for future years based on decisions and data at this moment in time. The purpose of the forecast is to identify the challenges ahead and the core base for a future Finance Plan which along with the Capital Plan will be drawn up in the first half of 2026 alongside a Peoples Plan.

With all forecasts that show deficits moving forward the sooner the matter can be rectified then it will have longer term benefits due to inflation.

The main reason for the deficit budgets moving forward is twofold. Clearly costs are rising more than income forecasts, part of this reason, is the reduction in the vacancy rate over the coming years and also the increase in curate numbers. The forecasts also continue to transfer the Time Limited funding to the new Designated Fund Seeking The Kingdom.

The initial tasks of any finance plan will be to break the forecast into three sections, The short term which will cover the next two years, a medium term forecast of up to 5 years and then the longer-term forecast, which will be everything over 5 years.

The deficits cannot be allowed to happen as the diocese looks for a longer term affordable and sustainable budget. The size of the task is not to be underestimated and will require a collective approach, in addition to the diocesan budget, centrally we are very much aware of the challenges facing parishes as well, possibly none greater than Church Building Costs at this present time.

Diocesan Income and expenditure

Budget 2026 - Forecast to 2035

Income											
Common Fund Offering											
<i>Less Provision for Shortfall in Offering</i>											
NET Common Fund Offering											
Parochial Fee Income	9,442,028	9,630,869	10,006,473	10,356,700	10,719,185	11,094,356	11,482,658	11,884,551	12,300,510	12,731,028	13,112,959
Grants	802,480	834,579	867,962	902,680	938,787	976,338	1,015,392	1,056,008	1,098,248	1,142,178	1,187,865
Investment income	2,174,354	3,576,542	3,534,101	3,491,384	3,441,180	3,433,702	3,427,480	3,424,995	3,460,904	3,540,052	3,623,345
Property income (e.g. rental income)	1,495,734	1,239,831	1,393,185	1,533,658	1,550,187	1,567,214	1,690,111	1,747,142	1,806,183	1,867,311	1,930,597
Historical Endowment Growth via Total Return	859,239	782,457	840,950	876,826	914,204	953,147	993,718	1,035,985	1,080,018	1,125,891	1,173,679
Other	650,000	650,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000
TOTAL INCOME	15,423,835	16,714,278	17,142,671	17,661,248	18,063,543	18,524,757	19,109,359	19,648,681	20,245,863	20,906,460	21,528,445
Expenditure											
Parish / FX / Sector ministry stipend and associated costs	8,789,447	9,173,989	9,652,824	10,103,454	10,573,824	11,068,965	11,426,980	12,064,519	12,429,352	12,804,745	13,143,460
Curates costs (IME 4-7)*	873,824	857,775	1,032,401	1,162,606	1,299,571	1,444,722	1,649,944	1,867,758	2,043,584	2,172,213	2,240,091
Property	2,648,739	2,782,510	2,924,098	3,073,060	3,229,786	3,394,564	3,554,719	3,722,451	3,898,203	4,082,176	4,275,184
Diocesan support / office - staff costs	1,995,117	2,146,238	2,081,357	2,154,204	2,229,604	2,307,641	2,388,408	2,471,999	2,558,517	2,648,067	2,740,751
Diocesan support / office - non-staff costs	929,013	850,777	876,305	902,594	929,671	957,561	986,291	1,015,880	1,046,355	1,077,744	1,110,075
Initial Ministerial Education 1-3 costs	97,990	102,890	0	0	0	0	0	0	0	0	0
National Church IME 1-3 contributions (Vote 1 & pooling)	591,932	599,805	648,629	672,196	696,395	721,465	747,438	774,346	802,222	831,102	861,022
National Church contributions (Votes 2-5)	503,885	-	-	-	-	-	-	-	-	-	-
Other	16,041	12,538	12,764	12,997	13,237	13,484	13,739	14,001	14,271	14,549	14,835
TOTAL EXPENDITURE	16,445,988	16,526,522	17,228,378	18,081,111	18,972,088	19,908,402	20,767,519	21,930,954	22,792,504	23,630,596	24,385,418
NET OPERATING SURPLUS / (DEFICIT) BEFORE TRANSFERS AND GAINS / (LOSSES) ON ASSET SALES**:											
[proxy for structural position]											
How the deficit is financed:-											
Transfer to Seeking The Kingdom											
Resourcing The Future											
Transfer from General Reserves											