

 <p>DIOCESE OF EXETER THE CHURCH OF ENGLAND IN DEVON</p>		<p>Paper S/13/23</p>
<p>Report To:</p>	<p>Diocesan Synod</p>	
<p>Date:</p>	<p>14 October 2023</p>	
<p>Report By:</p>	<p>Director of Finance</p>	
<p>Title:</p>	<p>2024 Budget and Common Fund and Consideration of the Indicative budget for 2025 and 2026</p>	
<p>Background Papers:</p>	<ul style="list-style-type: none"> • Our Vision and Strategy (Diocesan Synod, 15 June 2019 – paper S/13/2019) • Budget Strategy 2024 (Bishop’s Diocesan Council, 22 May 2023 – paper BDC/15/23) 	
<p>Strategic Links:</p>	<ul style="list-style-type: none"> • Our Vision and Strategy • Net Zero Carbon Route Map • Schools Strategy 	

EXECUTIVE SUMMARY

Principle

The 2024 budget is driven and shaped by the diocesan Vision & Strategy.

Process

Following consultation with the Budget Strategy Group, a Budget Strategy paper was presented to the Bishop’s Diocesan Council (BDC) on 22 May 2023 setting out the issues and options and raising questions for BDC to answer. The Director of Finance then compiled a budget in consultation with department heads, which was presented to BDC in a paper entitled ‘2024 Budget and Common Fund and Consideration of the Indicative Budgets for 2025 and 2026’ on 12 September 2023. Given the prevailing economic uncertainty and following presentation of the paper and discussion in break out groups, members of BDC were asked to vote for one of three increases in the Common Fund request; +5%, +6% and +7%. There was a clear majority in favour of the higher figure. It was agreed that Diocesan Synod would be asked to consider the following three options: +6%, +7% and +8%. At this stage a figure of 6% has been incorporated into this budget recommended by BDC to Diocesan Synod. The impact of the higher figure in each case is also shown.

In a separate paper, BDC members were asked to vote on whether, or not, they wished to adopt and apply the Total Return provisions to the Diocesan Stipends Capital Account. This was agreed, and BDC further agreed that it would be prudent for the expenditure to be aimed at improving EDBF's asset base, rather than supporting the revenue costs. This will be further considered by BDC at its meeting in December 2023.

Key Assumptions for 2024 Budget

The key assumptions underpinning the 2024 budget figures are:

- A 1.25% increase in the number of participants for 2023;
- A reduction in Mission Community stipendiary post holders to 165 (currently 168) for 2024;
- Common Fund (Band A equivalent) increase of 6%, 7% or 8% to be determined by Diocesan Synod;
- A Common Fund collection shortfall of 4%;
- A provision for an increase in clergy stipends and EDBF staff salaries of 5%;
- General Inflation, only where necessary, of 5%; and
- No real increase in expenditure, unless linked to a contract, or known price increase.

Key Assumptions for the 2025 and 2026 indicative budget figures

- No further decline in the number of participants;
- A reduction in Mission Community stipendiary post holders to 162 (currently 168) by 2025 and 159 by 2026;
- Common Fund increase of 2% in 2025 and 2026 (inflation only);
- A Common Fund collection shortfall of 4%;
- A provision for an increase in clergy stipends and EDBF staff salaries of 2% in 2024 and 2025 (inflation only);
- General Inflation, only where necessary, of 2% in 2025 and 2026; and
- No real increase in expenditure, unless linked to a contract, or known price increase.

Conclusion

The significant decline we saw in participant numbers of 14.6% between 2020 and 2022, as a consequence of the pandemic, was well in excess of the decline of 1.7% per annum experienced in pre-pandemic years and continues to present significant resourcing challenges. There was a modest increase of 1.25% reported for the 2023

participant number, but the number of participants used to calculate the Common Fund request will still be lower because it is based on the average of the last three years' numbers. To give some idea of the overall impact of Covid-19, based on current estimates, EDBF will suffer a loss of over £4m of income in the period 2023 – 2025 solely attributable to the effects of the pandemic. EDBF does have the resources available to accommodate the deficit in the short term, to allow time to see the extent of the recovery post pandemic and the outcomes from the refreshed diocesan Vision and Strategy. Continuing annual deficits, however, are not sustainable and, if forecast, will need to be tackled with a combination of increased Common Fund contributions and cost savings.

Budget Summary 2024 – 2026

Year ending 31 December	2024 £000	2025 £000	2026 £000
Income & Expenditure			
Income (2024 CF = +6%)	13,950	13,924	13,748
Expenditure (excluding EPC works)	16,536	16,564	16,656
Surplus/(shortfall)	(2,586)	(2,640)	(2,908)
Impact if CF for 2024 = +7%	82	84	86
Impact if CF for 2024 = +8%	163	168	172

Approval sought

At the meeting held on 22 September 2023, BDC recommended:

- (1) That the Common Fund request per declared participant for 2024 is increased by 6%, 7% or 8% (over the 2023 figure).
- (2) The use of a 4% figure for the Common Fund shortfall for 2024.
- (3) The provision of £900k within the 2024 budget for the identified work to achieve EPC and Net Zero Carbon upgrade works. This will be funded by releasing funds through applying the Total Return accounting principles to the

Diocesan Stipends Capital Fund subject to independent financial assessment and further work to be brought to the Council's next meeting in December.

- (4) The provision of 208.5 whole time equivalent stipendiary clergy posts in the budget for 2024 (comprising 165 Mission Community post holders, 4 archdeacons and 39.5 curates).
- (5) The stipend that should be paid from 1 April 2024 to those clergy holding incumbent status posts be £30,260.
- (6) The attached budget for 2024 and indicative budgets for 2025 and 2026 (Appendix 2) to Diocesan Synod for approval.

Recommendation

This Synod

- a) Approves an increase the Band A equivalent Common Fund figure by 6% (or 7% or 8%),
- b) Approves the diocesan budget for 2024, and
- c) Notes the indicative budget for 2025 and 2026.

MAIN REPORT

1 Purpose

- 1.1 The purpose of this paper is to seek Diocesan Synod (DS) approval of the budget for 2024 for the Exeter Diocesan Board of Finance (EDBF) and to give consideration to an indicative finance plan for 2025-26.

2 Vision & Strategy

- 2.1 The Diocesan Vision and Strategy was debated and approved at the Diocesan Synod meeting held on 12 March 2016 and refined at the meeting held on 15 June 2019.

2.2 Mission Communities – The Next Steps

Over the past couple of years BDC has been looking at the Vision & Strategy, most recently at the meeting held on 5 February 2022. As a diocese, it is time to take stock so that we emerge from this extraordinary period with a clear sense of direction and a realistic plan for how to get there. We need to move forward in a way that is both creative and sustainable. Now is the time to renew our trust in the leading of God.

2.3 Our Vision

'I am the vine; you are the branches. Those who abide in me and I in them bear much fruit.' John 15.5

As God's pilgrim people, we seek to share in the mission of God as revealed in the life, death and resurrection of Jesus Christ by:

Growing in prayer

We want to abide in Christ and live our lives close to God. This means taking risks as we become more honest with ourselves and more honest with God. Prayer opens up deep places within us to God's grace, which is why it is such a life-giving activity. Going deeper in prayer is essential if we are to witness to God's Kingdom and grow into the people God is calling us to be.

Making new disciples

A disciple is someone who follows Jesus Christ. With Christ as our companion and guide, we can travel through life differently and invite others to share in the adventure. We want to be more faithful in our discipleship and allow God to shape our priorities and values. The gospel is good news but, if we are to bring more people to Christ, we need to find new ways of telling the story, of explaining our faith and giving a reason for the hope that is in us.

Serving the people of Devon with joy

We want to be ambassadors for Christ, making a difference in the world and witnessing to God's love and justice, especially in the communities where we live and, in our schools, and workplaces. Working in partnership with others who are transforming lives, we seek to address the global issues confronting our generation so that all may flourish.

- 2.4 We seek to fulfil our calling to love God and serve the people of Devon through our network of Mission Communities. These are diverse, vibrant and sustainable groupings of parishes across the Diocese which are mission-oriented, community-focused and locally rooted. At the heart of this network are our parish churches, which for centuries have been places of prayer, pastoral care, evangelism and community service in Devon. Increasingly today, they are complemented by chaplaincies, social action projects and varied and creative new expressions of worship, the result of which is an exciting mixed ecology. Together, they speak of God's compassion and love, and ensure a Christian presence in every community across the county.

3 Structure for 2024 Budget

- 3.1 BDC established a Budget Strategy Group to work with the Chair of the Board of Finance, the Diocesan Secretary and the Director of Finance to consider the assumptions underpinning the Finance Plan and help shape the strategy used for setting the budget. This group has continued to meet (via Zoom) in 2023 to help shape the 2024 Budget Strategy, which was approved by BDC on 22 May 2023.
- 3.2 The main assumption underpinning the budget will be around the Common Fund request for 2024. Parishes were once again asked to provide their participant number, with a requested return date of 30 June. Based on the returns so far received, a modest increase of 1.25% has been seen in the number of participants. This should be set against a reduction of 14.6% seen in the period 2019 to 2022 (see section 5, below).

- 3.3 This report shows in Appendix 1 how it is proposed that each budget is allocated for 2024 (along with a comparison figure for 2023). Any proposed changes to the budget for 2024 are outlined in Section 7, below.
- 3.4 This paper also includes the indicative budget figures for 2025 and 2026 (in Appendix 2). These indicative figures are produced using the assumptions set out in the Executive Summary.

4 Key Assumptions

- 4.1 BDC has already endorsed the key assumptions to be included in the budget at the meeting held on 22 May 2023. These are incorporated into the key assumptions underlying the 2024 budget, which are summarised below:
- An increase in the Common Fund request per participant of 6%, 7% or 8%, the increase to be determined by Diocesan Synod – see section 5, below;
 - A shortfall in Common Fund received of 4%;
 - The budget to provide for 165.0 full time equivalent Mission Community stipendiary posts (equivalent to 150.2 FTE stipends, after allowing for vacancies);
 - There will be an increase in the clergy stipends from April 2024 of 5%, in line with the anticipated increase in the clergy stipend benchmark; and
 - There will be a provision of 5% for an increase for lay staff salaries from July 2024.

5 Common Fund Request 2024

- 5.1 The original sum requested from parishes in Common Fund contributions for 2023 was £9,025,873. As in 2023 a principal assumption for the 2024 budget is once again around the level of Common Fund that can reasonably be requested. This is the starting point for the budget process and drives the sums that can then be spent across all diocesan budgets in delivering and supporting the diocesan mission.

5.2 The table below shows the Common Fund collection rates for previous years:

Year	Amount Requested £000	Amount Received (up to 28/02*) £000	Percentage Collection (up to 28/02*) %	Final Amount Received £000	Percentage Collection %
2009	8,790	8,135	92.55	8,224	93.56
2010	8,882	8,108	91.28	8,177	92.06
2011	8,693	7,947	91.41	8,034	92.41
2012	9,050	8,374	92.53	8,458	93.46
2013	9,153	8,511	92.98	8,622	94.19
2014	9,155	8,614	94.10	8,666	94.64
2015	9,247	8,673	93.79	8,734	94.46
2016	9,175	8,564	93.34	8,640	94.17
2017	9,169	8,544	93.19	8,741	95.33
2018	9,323	8,922	95.70	8,966	96.17
2019	9,377	8,964	95.59	8,995	95.92
2020	9,174	8,302	90.49	8,350	91.02
2021	8,997	8,218	91.34	8,312	92.39
2022	8,958	8,476	94.62	8,554	95.49
2023	9,026				

*Please note that the 28/02 date is the one used each year as the cut off against which contributions are taken back to the previous year's accounts.

- 5.3 Earlier in the year a number of larger parishes withheld Common Fund as a response to the Living in Love and Faith (LLF) debate taking place at General Synod. However, all but two of these parishes re-started their contributions in August. Now we have the end of August data, we are now just 0.14% behind 2022 and 0.91% ahead of 2019 (our last 'normal' year). A significant contribution to this improvement is that there are now only two parishes withholding their contributions due to LLF concerns.
- 5.4 Diocesan Synod approved a shortfall budget of 4% for 2023. The current projection suggests the actual shortfall in 2023 could be around 5%, although this will depend on what happens with those parishes currently withholding Common Fund.
- 5.5 It is clear from conversations with parishes that those with membership of the Parish Giving Scheme and/or a higher percentage of regular monthly givers are faring significantly better than those parishes that rely on fund raising and

cash collections at services. The Mission Resources team will continue to provide support to parishes with generosity and giving and to continue promoting the Parish Giving Scheme and regular giving. EDBF has also successfully applied for funding from the Giving Advisers Fund to enable us to recruit an additional member of the stewardship team. This funding is for a 5-year period, with 100% of costs covered in year 1, 80% in year 2, etc.

- 5.6 The Diocese of Exeter will be receiving 70 contactless devices to distribute to parishes in the autumn of 2023. These are being funded through the National Giving Strategy to increase the number of parishes able to offer contactless and digital options for giving.
- 5.7 One of the key assumptions is around the number of participants and therefore the Common Fund request. BDC confirmed that the finance plan assumption should be adjusted to reflect the consistent annual fall seen in participant numbers over the last few years. The average fall has been 1.7% per annum.
- 5.8 The following are the annual participant numbers that will be used in the calculation of the Common Fund request for 2024:
- 2021 = **16,895** (reduction of 6.4%)
 - 2022 = **15,393** (reduction of 8.9%)
 - 2023 = **15,586** (increase of 1.25%)

This gives an average over the three years of 15,958 participants for the calculation of the 2024 Common Fund request. In contrast, the 2023 Common Fund calculation was based on an average of 16,830 participants.

Year	Declared Participants	Less those who do not attend	Less those new to faith	Less under-graduate students	Less larger church allow.	Participant No. used in CF calculation
2021	18,135	(766)	(16)	(283)	(175)	16,895
2022	17,380	(1,140)	(508)	(230)	(109)	15,393
2023	17,493	(1,153)	(433)	(232)	(89)	15,586

- 5.9 The result of the falling number of participants, even at the previous average, was leading to a reduced total Common Fund request each year (see the table at section 5.2). It should be noted that this will lead to some serious challenges if this reduction in participant numbers is not reversed.

Request per participant

- 5.10 One of the key elements within the Common Fund calculation is the amount per participant, as this makes up the bulk of the amount requested from each parish.
- 5.11 The original figure requested per participant from a parish in band A for 2023 was **£663.66** per annum. There is then a 5% 'discount' applied for each socio-economic band below band A, e.g., the calculation for a parish in band B is $£663.66 \times 95\% = £630.48$, and so on. Socio-economic bands for parishes are derived from the index of multiple deprivation provided by the government, as mapped onto parishes by the Statistics Unit at Church House (Westminster).
- 5.12 BDC has previously agreed that an inflationary increase should be applied to the 2024 Common Fund request and indicated that it was prepared to recommend an increase of 6% (1% above the base inflation assumption). It is felt appropriate to give Diocesan Synod three options again this year for the increase in Common Fund for 2024:
- At 6% the amount to be requested per participant from a parish in Band A for 2024 would be $£663.66 \times 6\% = \mathbf{£703.48}$.
 - At 7% the amount to be requested per participant from a parish in Band A for 2024 would be $£663.66 \times 7\% = \mathbf{£710.12}$.
 - At 8% the amount to be requested per participant from a parish in Band A for 2024 would be $£663.66 \times 8\% = \mathbf{£716.75}$.
- 5.13 Using the current number of participants and a 6% increase in the request per participant for 2024, before applying the inflationary cap, the calculation would be £9,248,467 (compared to £9,191,409 for 2023). This figure would be £98k higher if the increase were 7% and £196k higher at 8%.
- 5.14 An annual cap was introduced in 2020 on the maximum increase in the Common Fund request to a parish from one year to the next, set at CPI +5%. If it is not possible to apply the full calculated increase because of the above cap, then the additional element will be held over until it can be applied in a future year to the parish in question. The CPI figure (for July 2023) is 6.8%, so the cap for 2024 will be set at 11.8%. This is projected to reduce the above request by £181,000 to **£9,067,617** (2023: £9,025,701). This figure would be £82k higher if the increase were 7% and £163k higher at 8%.

Common Fund Shortfall

- 5.15 The level of assumed shortfall in the Common Fund received is also a key assumption and, as can be seen in the table at section 5.2, above, this had deteriorated until 2012, when a gradual improvement began to show. This had then fallen back again, although there was a sustained improvement since 2017, so that the shortfall, prior to the pandemic, was around the 4% mark.
- 5.16 There were bigger shortfalls in 2020 (9%) and 2021 (7.6%). This recovered to 4.5% in 2022. The current year shortfall could again be higher, depending primarily on the amount of Common Fund that is withheld by those parishes opposed to the LLF proposals. It is, however, felt reasonable to continue with a 4% shortfall assumption in 2024 now that we see all but two parishes resuming their Common Fund contributions.

Parish Giving Scheme

- 5.17 The Parish Giving Scheme was formally launched across the diocese in the autumn of 2014 (following the pilot), with the main launch event being held in March 2015. As at 1 August 2023, 280 (2022: 261) parishes across the diocese are receiving funds (with the associated gift aid) on a monthly basis – which is 58% of parishes. In the previous 12 months, £3.25m (2022: £2.9m) has been donated to churches in our diocese – with this figure increasing each month, as more parishes/people join. The PGS continues to grow nationally and continues to be a fantastic scheme, with 36 (2022: 34) dioceses now being members. The total annual amount gifted to churches through the scheme (excluding gift aid) in 2022¹ was £61m (2021: £53m), so this continues to be a real success story within the Church of England.

The ‘parishes’ with the most individual donors within our diocese are shown in the table below:

Parish	Number of donors
Tiverton, St George & St Paul	99
Littleham-cum-Exmouth	88
Torquay, St Matthias	79
Tavistock	67
Wembury	64
Exeter Cathedral	62

¹ Data from 2022 PGS Annual Accounts

6 Income Budgets for 2024

Asset Management Strategy

- 6.1 The Assets Group continues to review the Board of Finance's asset mix and a strategy has been drawn up to increase the income generated by the Diocese's assets (housing, glebe and investments). A detailed assessment was undertaken, and a number of properties no longer required for clergy housing were identified for sale and the first two tranches have now been sold. The original intention was that these proceeds would then be re-invested with CCLA in order to achieve a higher level of income. A review of the glebe holdings has also been undertaken and parcels of glebe land have also been identified for sale. Following a subsequent detailed review of the cashflow position, it was possible to place a proportion of the surplus funds (£4m) within the CCLA Investment Fund, but the balance has been required to support the shortfalls seen since 2020.

Investment Income

- 6.2 Income from the investments held with CCLA has remained fairly consistent over recent years, despite the economic and market conditions. EDBF now only has investments placed in the CCLA Investment Fund, which is the global multi-asset fund. An assessment has been undertaken, with support from CCLA, to assess the level of income that our portfolio can be expected to deliver in 2024. The budget for 2024 will therefore be **£1,055k** (2023: £1,053k). A further £40k will be received through interest received on cash balances.

Glebe Income

- 6.3 There are two elements to the glebe income received – income from the glebe land and from the lease of the commercial properties (purchased with the proceeds from previous sales of glebe land). The income received from glebe is reviewed each year to accommodate the impact of rent reviews undertaken in the previous 12 months. As a result, the net budget expectation for 2024 will increase slightly, to **£328k** (2023: £316k).

Feed in Tariff Income

- 6.4 In 2012 photovoltaic cells were fitted to 32 parsonages. These are now generating income of £35k per annum in feed-in and export tariffs. After allowing for depreciation and loan interest charges, the net income received is **£18k**.
- 6.5 The 2024 budget for net income from investments, glebe and feed-in/export tariff is **£1,441k** (2023: £1,407k).

Grants from the Archbishops' Council

- 6.6 The amount we will receive in Lowest Income Communities Funding for 2024 will be **£1,144k** (2023: £1,190k). The actual notification for 2023 was £1,105k in the end, but this information was not available when the budget was approved last year.

Strategic Development Funding (SDF)

- 6.7 In 2018 the Diocese was successful with its application for Strategic Development Funding (SDF) for the church planting project in three outer estates in Plymouth (Plymouth Partnership in Mission). This draws down funding of approximately £1.7m over the six years (now extended from 5 years), against the total project cost of £2.2m. The funding for this project will now finish at the end of 2024.

In 2019 the Diocese was also successful in securing SDF funding for a new resource church at St Matthew's in Exeter. The Exeter project will draw down further funding of approximately £1.3m over the five years, against the total project cost of £2.7m. This funding was augmented by a further £270k in September 2022, bringing the total to approximately £1.6m. The funding for this project will end in August 2024.

A further successful application was made in November 2020 for SDF support for a new Resource church in Torbay, known as Bay Church, which launched at Easter 2022. This will draw down funding of £1.5m over 5 years, against total project costs of £3m. This funding was augmented by a further £386k in September 2022, bringing the total to approximately £1.9m. All EDBF funding is being provided from within existing resources. The funding for this project will end in 2027.

- 6.8 **Strategic Ministry Funding (SMF)**

In 2019 a new funding stream was introduced to support dioceses with the engagement of additional (stipendiary) curates in training. There has been a national drive to significantly increase the number of curates in training, in order to ensure that there are sufficient suitably trained people available to address the significant number of clergy retirements in the next 5 – 10 years. The target was to increase the numbers entering training by 50%. It had not previously been possible to include provision in the budget for additional stipendiary curates, so this new funding stream is to be welcomed.

The Diocese of Exeter has now successfully applied for four streams of funding through SMF. The details are shown in the following table:

Year (based on the academic year)	Number of additional stipendiary curates
2020/21	3
2021/22	4
2022/23	2
2023/24	2
TOTAL	11

Funding was awarded to cover 90% of the direct cost of a curate (including the provision of housing). This funding will be received for the 3½ years of these curacies. The Diocese of Exeter has to fund the remaining 10%. The cost figures are updated each year and the award amended in line with these changes. This takes the total funding secured through SMF to £1.6m, with the diocesan contribution being £180k.

Posts of First Responsibility

- 6.9 We have invested heavily in new curates over the last four years, and now need to place them as incumbents. However, we have a temporary funding overlap challenge whilst we are in the process of developing the long-term clergy deployment plan. We therefore applied for temporary funding for the following key missional 1st incumbency posts:
- Plymouth Archdeaconry: 2 inner city posts
 - Whitleigh/Ford: Post covers two deprived estates in Plymouth. We have a vibrant plant in Whitleigh, supported by an SDF grant, which needs sustaining when the project funding ends in 2024, and a fledgling new community in Ford that needs nurturing. We are at risk of losing the benefit of 5 years' work in a community where we have grown from 6 to 70 regular Sunday attendees, baptised 40 adults, and have around 200 regular participants. We have been awarded funding of **£163,854** for 3 years from September 2023.
 - St Simon's Mount Gould is an inner-city Plymouth church which was closed due to declining numbers some years ago. A year ago, the church was transferred to St Matthias, our Plymouth resource church, with the intention of planting a new faith community in Mount Gould. We are now ready to launch this new plant but do not have the budget to cover a stipend for this new post until our clergy deployment plan has been updated by the end of 2025. We have been awarded funding of **£163,854** for 3 years from September 2023.
 - Barnstaple Archdeaconry: 1 urban civic church post (Barnstaple Town Centre)
 - Barnstaple is a working-class town in North Devon with a population of around 24,000 and levels of deprivation. We have

a civic church in the town centre, which was thriving in the past, but has fallen into decline. Nevertheless, those that remain are enthusiastic and mission oriented. The current incumbent retired in April 2023 and the diocese can only afford a 0.5 FTE replacement. With extra funding to bring this up to a full-time post, we have an opportunity to revitalise this church community with a position of first responsibility for a clergy person from the Anglo Catholic tradition. We have been awarded funding of **£81,927** for 3 years from September 2023.

Diocesan Investment Programme (DIP)

- 6.10 Following a major review of National Church grant funding, SDF has now been discontinued, and has been replaced by a number of different funding sources, under the broad heading of the Diocesan Investment Programme. The Diocese of Exeter has again been very successful in securing funding through these new streams and the current list of those included in the 2024 budget are listed in the following table:

Funding area	Amount included in 2024 Budget	No. of Years	Amount included in future years
Church Buildings Support	£80,235	2	£80,235
Strategic Programme Management	£102,871	2	£102,871
1 st Incumbency Programme	£136,545	3	£273,091
Clergy HR	£46,027	2	£46,027
Giving Adviser	£18,406	4	£24,350
Net Carbon Zero	£98,360	2	£15,360
Creation Care	£15,360	2	£15,360
Finance Leadership	£30,149	2	£30,149
TOTAL	£527,953		£587,443

The above funding is to support both existing and new posts that are aligned to our 'Next Steps' in the diocesan vision and strategy. In all cases the posts have been built into the budget for 2025 and 2026, but unless further funding is secured, it is unlikely all of these posts will be able to continue once the funding support finishes.

A more substantial funding stream will be available to apply for in 2024. In order to secure this funding, a diocesan strategic plan must be submitted, alongside the request for funding for specific areas. This can include support

for existing costs, where these can be shown to form part of the strategic plan in the diocese, although we are waiting for the final guidance in this respect. The level of funding we subsequently secure will determine the scale of any reductions required in the number of stipendiary clergy (see Section 11 Contingency Planning) and other posts.

Rental income from clergy housing

- 6.11 The income received from renting out vacant clergy housing is still performing strongly. A number of properties have been sold in the last three years: 2020 (6); 2021 (2) and 2022 (5). A further 11 properties are in the process of being marketed/sold. However, the level of rental income currently being achieved means that the budget need only be reduced by a small amount at the current time. The net budget for 2024 will therefore be **£892k** (2023: £900k). It should be noted that this figure is after allowing for the maintenance costs of approximately £300k per annum associated with these properties.
- 6.12 There are current government proposals to change the rules for Energy Performance Certificates (EPCs) for tenanted housing. Whilst the details have yet to be finally confirmed, it is expected that a property will need to reach at least Level C by 31 December 2025 for new tenancies and by 31 December 2028 for existing tenancies. EDBF receives gross income in excess of £1m a year from renting out vacant clergy housing, some of which will be in jeopardy unless EDBF complies with the new rules. It is estimated that this will cost circa £2.6m. See section 7.27 for more detail on the potential cost of complying with the new EPC requirements.

With the Mission Communities – Next Steps review currently taking place, our housing property stock will be further assessed to determine which properties may no longer be required to house clergy and could therefore be sold. A process will be undertaken to assess the level of return achieved from the rental income on these properties, with only those returning less than can be achieved through CCLA investments ultimately being sold. It should be noted that any surplus properties retained after this assessment has been undertaken will need to be treated as “Investment Properties”, requiring an annual valuation to be undertaken.

Parochial fees

- 6.13 The Statutory fees for weddings and funerals are shared with PCCs, in line with the Fees Table produced each year by General Synod. There was a small increase in the actual income received by the DBF in 2022, so the budget expectation for 2024 has been increased slightly to **£625k** (2023: £600k).

There is a current risk to this income stream, following General Synod’s decision to run a pilot in a couple of dioceses, whereby the statutory fees for

weddings will be set at zero for both the DBF and PCC elements. An estimate indicates the potential loss of income were this pilot to be extended would be approximately £200k per annum for the DBF and £230k for PCCs.

Benefact Trust Grant (previously Allchurches Trust)

- 6.14 In 2019, the Benefact Trust reviewed the grants that it makes to dioceses from the profits made by Ecclesiastical and this led to a greater percentage of the money available being allocated for bidding. From 2022 EDBF now has to apply for the reducing funding that is allocated each year and an application has been submitted for the current year. The amount of funding received in 2023 was reduced to £129K. The sum allocated for 2024 is **£111k** (2023: £147k).

7 Expenditure budgets for 2024

Clergy numbers and stipends

- 7.1 There are a number of elements within the calculation of the stipendiary clergy budget:
- EDBF does not pay the bishops' stipends, or the housing costs of the Diocesan Bishop; these costs are covered by the Church Commissioners;
 - There are four Archdeacons posts in addition to the number of posts shown in the table at Section 7.9.
- 7.2 The sections that follow provide information on how the current numbers have been arrived at.

Stipendiary Clergy numbers

- 7.3 For a number of years, the diocesan finance plan has included, as a contingency, a reduction in Mission Community (MC) stipendiary clergy from the current level of 168 FTE stipendiary MC posts (including vacancies) to 130 by the end of 2031 if the historic rate of participant decline continues. Bishop's Staff has discussed how to achieve such a reduction in stipendiary posts across the Diocese in a way which is both fair and missional, taking into account the variety of the rural and urban contexts we serve, and the realisation that Plymouth has been under-resourced in recent years.

7.4 As a first step, Bishop's Staff and the Bishop's Strategy Group has previously agreed a reduction to 165 FTE stipendiary MC posts (including vacancies) by the end of 2024, with the following allocation for each Archdeaconry:

Barnstaple:	30.0
Exeter:	56.5 (including Cranbrook)
Plymouth:	39.0 (including Sherford)
Totnes:	39.5
TOTAL:	165.0

7.5 Within each Archdeaconry, any increase in stipendiary provision in one MC will need to be balanced by a decrease in another MC. Requests for an increase in the total allocation for an Archdeaconry would need to be decided by Bishop's Staff, before ultimately being approved by Bishop's Diocesan Council through the annual budget setting process. In 2023-4, by which time the progress of our current growth initiatives will be clear, further discussion will need to take place about whether to implement further reductions below 165 posts.

7.6 To agree this target of 165 posts by the end of 2024, five weighted factors (population 30%; participants 30%; number of church buildings 15%; area 10%; deprivation 15%) were applied to a total of 155 posts (the midway point between our current level of c.175 posts and 130 posts by 2031). This was then adjusted upward in Exeter and Plymouth Archdeaconries in the light of a) the under-resourcing in Plymouth and b) specific missional needs in urban areas, including large-scale new housing areas, such as Cranbrook and Sherford.

7.7 In addition to the above posts, there are four archdeacons, and it should also be noted that the above figures do not include the Bishops, Bishop's Chaplain or the Dean of the Cathedral. The table at section 7.9 below does not include Self-Supporting Ministers.

7.8 As well as the stipendiary clergy posts, the ministry teams in parishes also include:

- Self-Supporting ministers (57)
- Readers (117)
- Clergy holding Licence under seal (37)
- Lay Leaders

7.9 The 2024 clergy budget will include the following posts:

Post title	FTE Stipendiary clergy posts, including vacancies, in 2024 budget	FTE Stipendiary clergy posts, including vacancies, in 2023 budget	Reason for change
Mission Community ministry	165.0	168.0	Reduction in line with Finance Plan and agreed Deployment Plan
Title posts (curates)	39.5	41.5	Reduction as Strategic Ministry Funding reduces
TOTAL number of posts paid from the stipend budget	204.5	209.5	

7.10 The assumed vacancy factor is 9%, meaning that there will be an average of **150.1 FTE clergy in Mission Community ministry posts** and receiving a stipend.

7.11 It should be noted that the reduction in the FTE number of stipendiary clergy in recent years has been at a much lower rate than the decline seen in the number of people in the worshipping communities. With the significant fall in participant numbers in the last three years, this is now unsustainable.

Stipend increase 2024

7.12 Diocesan Synod had previously agreed that EDBF would pay stipends at the Regional Stipends Benchmark (RSB). However, this measure was discontinued by the Archbishops' Council a number of years' ago, although the National Stipends' Benchmark (NSB) is still published. The stipend paid by EDBF now therefore rises by the same percentage increase in the NSB each year.

7.13 The National Stipend Benchmark (NSB) for April 2024 has yet to be published. Based on current expectations an increase of 5% is expected. A provision covering an increase of 5% has been included in the budget for 2024.

- 7.14 Following the above methodology for the 2024 budget, will give a stipend within the Diocese of Exeter of **£30,260** (2023: £28,820) from 1 April 2024.

Clergy pension contributions

- 7.15 The Clergy Pension Scheme is formally valued every three years and the contribution rates determined at that point. The most recent valuation was at 31 December 2021 and this showed that the scheme had a surplus of £580m.

The Pensions Board worked with the Pensions Regulator to agree a new funding methodology, known as Asset Led Funding (ALF). This change is the main factor behind the fund now being in surplus. As a result of the change, no deficit contributions are now being made.

The Pensions Board confirmed that whilst the prudent contribution level has been identified as being 38.8%, it has applied a figure of 28% from January 2023, by applying some of the existing surplus.

Apprenticeship Levy

- 7.16 The apprenticeship levy of 0.5% is applicable to the clergy payroll, as all stipends are paid centrally (thereby exceeding the threshold). A contribution of **£28k** (2023: £28k) per annum is required.

Rural Support Officer

- 7.17 At its meeting held on 25 March 2023, Diocesan Synod considered a paper on the future Vision & Strategy for Rural Mission & Ministry in our diocese (paper S/04/23). The paper considered how best to deploy the remaining £250k available from the designated fund from the Growing the Rural Church project.
- 7.18 The appointment of a Rural Support Officer, who would enable coordinated support for Rural Ministry, the agricultural community, for educating clergy and parishes about agricultural affairs and issues and leading the interface with (local) government and voluntary sector groups and organisations in the wider community was felt to have an enormous impact on ministry in rural areas. Diocesan Synod agreed that the funding could be used to make a House for Duty (HFD) or part time stipendiary post up to full time, enabling the post holder to spend both time embedded in a Mission Community, but with dedicated time to focus on the important rural challenges.

Rural Deans

- 7.19 The Diocese of Exeter currently has 21 deaneries. Each deanery has a standing committee, which is led by the Rural Dean and Lay Chair. In addition to the local Deanery Synod responsibilities, which are shared, the Rural Dean is also responsible for convening the clergy chapter and undertaking various inspections and visits on behalf of the Archdeacon. These inspections and visits require time that the Rural Deans do not always have, and we have been finding it increasingly difficult to find volunteers when vacancies occur (there are currently 4 vacancies).
- 7.20 It is therefore proposed by the Bishop's Staff Team that a £2,000 Administration Grant is paid to the Mission Community in which the Rural Dean ministers, in much the same way as we do for the Assistant Diocesan Directors of Ordinands. The purpose would be to allow the Mission Community to provide additional administrative support to allow the Rural Dean to spend more time undertaking their duties. The total sum required would be **£42,000** per annum.

Lay staff levels, salaries and related issues

- 7.21 The proposed lay staff budget for 2024 is 11.5% higher than in 2023 (with 6.5% being supported by external grant funding). The following principles have been applied:
- All existing posts have been included, with the hours updated to reflect any changes made since October 2022;
 - Provision for a cost of living pay award of 5% from 1 July 2024 (£73k). The full year impact of this award in 2025 will be £146k;
 - Newly grant funded posts account for 6.5% of the increase (£177k);
 - The Education team re-structure accounts for 0.6% of the increase (£15k);

An analysis of the year-on-year Diocesan-wide and Central Support Costs is shown in Appendix 3.

Net Zero Carbon

- 7.22 General Synod passed a motion in February 2020, calling upon all parts of the Church of England to achieve year-on-year reductions in carbon emissions and urgently examine what would be required to reach net zero emissions by 2030. The Church of England Routemap to Net Zero Carbon by 2030 was then presented to and agreed by General Synod in July 2022.

The Diocesan Synod in March 2023 considered a paper presented by EDBF's Net Zero Carbon Officer, with support from the Diocesan Environmental Working Group. Diocesan Synod approved the following motions at this meeting:

1. Regarding the Climate Emergency:
 - a. To make a declaration of climate emergency, and
 - b. To agree to sign the Devon Climate Declaration.
2. Adopt the Diocesan Net Zero Carbon Vision Statement for 2030 (Section 7.23).
3. Adopt a target to achieve Net Zero Carbon by 2030 (Section 7.24).
4. Agree alignment with the National Routemap to Net Zero Carbon.

Diocesan Net Zero Carbon Vision Statement for 2030

- 7.23 By 2030, we will have measured the carbon emissions from our churches, (schools where appropriate), Theological Education Institutions, the Cathedral, clergy housing, diocesan offices and work-related travel. We will have made changes to reduce the energy consumption of our buildings, invested in some of our own renewable energy generation and we will have switched to approved green tariffs.

We will have made substantial progress towards Net Zero Carbon for those activities under our direct control, will have made arrangements to offset the remaining activities that have yet to be directly addressed and will have used our influence to encourage related organisations to act similarly.

Target to Achieve Net Zero by 2030

- 7.24 A clear target is crucial to drive implementation and enable transparent reporting on progress. Overall, the need is for a 90 – 95% decarbonisation of our activities, and this is reflected in the proposed target. The language is intentionally technical to hold EDBF to account and specify exactly what we intend to reduce.

The Exeter Diocesan Board of Finance will seek to achieve a 90% reduction (against a 2010 base) by 2030 in Greenhouse Gas Protocol Scope 1 and Scope 2 emissions for areas within its direct control, including in relation to clergy housing and diocesan offices, as resources allow. The remaining 10% will be offset using offsetting schemes verified by the national Church of England. A further target for work-related travel will be set in due course once the baseline data has been established.

Clergy housing

- 7.25 The standard and level of work undertaken is determined by a detailed policy which is regularly reviewed and is the responsibility of the Parsonages Committee. The budget is based on the information provided by the Director of Property on the expectations for 2024, as best we can predict them at this time. It is anticipated that a normal programme of works will be undertaken in 2024.
- 7.26 The clergy housing budgets are reviewed in detail each year with the Director of Property and the following changes are proposed for 2024:
- Increase of £23k in Council Tax charges;
 - Increase of £111k in the level of resources required to complete the Quinquennial works identified for clergy housing, plus the assumed number of in-going schemes. This increase is the result of continuing price inflation in the tender prices being received, along with a reduction in the number of contractors tendering for work;
 - Increase of £65k in the level of resources required to deal with responsive repairs. The reason for the increase is as above;
 - Increase in security costs of £10k;
 - Reduction in grant funding associated with SDF/SMF housing costs of £89k; and
 - Increase in the number of rented properties required to house clergy/curates (£23k).

Energy Performance Certificates/Net Zero Carbon

- 7.27 Energy Performance Certificates (EPCs) and associated reports are required prior to marketing a house for sale or rent. The EPC assessment tool has changed over the years but, to date, EPC assessments have been made solely on the criteria of cost. At some point, it is envisaged that the criteria of sustainability will be introduced, which will result in more favourable scoring for electric forms of heating.
- 7.28 Currently there is a requirement for most domestic properties that are rented to achieve Level E. Until the government's announcement on 20 September 2023, it was expected that all new tenancies would require an EPC of at least Level C by 31 December 2025 and by 31 December 2028 for existing tenancies. The current government has confirmed it no longer intends to introduce these requirements in this timescale.

- 7.29 The DBF currently has 315 houses that are available for housing clergy. These are rented out on a medium or short-term basis when not immediately required for housing clergy, or during the vacancy period. Of these only about a quarter have an EPC rating of Level C or better.
- 7.30 In 2023, Diocesan Synod allocated the first year's tranche of funding of £600,000 for works to improve the Energy Performance Certificate (EPC) scores for clergy housing. To date, c£350,000 has been spent and the works for the remainder of the budget are planned or committed. The primary driver for this funding was the anticipated change in rental requirements to a minimum of Band C. However, these EPC related works also largely align with the drive to Net Zero Carbon (NZC) and therefore the approach is still considered appropriate.
- 7.31 Such improvements do not go as far as achieving the improvements necessary to fully meet the NZC ambition. The initial analysis identified a likely cost of £3m to upgrade our clergy houses to Band C and whilst this is subject to further review and refinement (and excludes the housing identified for sale), it appears from the works undertaken to date to be reasonably accurate estimate. A further **£600,000** is therefore sought for in 2024 for works that benefit EPC scores and work towards the NCZ ambition.
- 7.32 If all of the EPC measures recommended to achieve a Band C rating are undertaken then it is estimated that this would result in a reduction in the average carbon tonnage (excluding the houses to be disposed of) to 5.65 tonnes. This represents an annual reduction of 1.1 tonnes of carbon per property from the current estimated annual carbon tonnage of 6.75 tonnes per property. This compares to an average of 8.5 tonnes in 2010, i.e., a carbon reduction tonnage of c.34% from 2010.
- 7.33 There is not a target for actual carbon tonnage reduction in the 2030 Net Zero Carbon Routemap. There is however a 90% target for a reduction in the energy usage from non-renewable sources, which can be comprised of a combination of the energy savings achieved through building fabric improvements, plus the energy that is supplied on approved green tariffs. Such tariffs are available for both gas and electricity, however there is no green tariff possible for oil and LPG energy usage. For NZC purposes therefore, it seems reasonable as an absolute minimum, to plan for the replacement of

all oil and LPG boilers, usually with Air Source Heat Pumps (ASHP). Some oil and LPG boilers are included for replacement via the EPC funding but certainly not all and to undertake this additional work is estimated to cost in the region of £1.8m, in addition to the £3m already noted. To reduce the risk of needing to replace a failed oil boiler with a new oil boiler (and therefore locking in carbon usage beyond 2030), requires the commitment of c.£1.8m over the next 6 years, which represents a requirement of a further budget of **£300,000** per annum.

- 7.34 Beyond this, for NZC purposes, it is for each diocese to determine how much it wants to rely on occupants switching to approved green energy tariffs and how much it wants to reduce the total carbon tonnage. Further works could certainly be undertaken to reduce the latter, for example, PV panels could be installed (subject to an assessment of suitability) on properties where not required for EPC reasons, gas boilers could be changed to Air Source Heat Pumps, further more intrusive insulation upgrades could be undertaken, works could be undertaken to improve the airtightness of the buildings, heat recovery within mechanical extract systems could be installed, etc. The Diocese of Exeter has been selected as one of 4 dioceses to be part of a pilot to further investigate wholesale retrofit options with funding from the Church Commissioners for, in the first instance retrofit surveys on 25 houses in the diocese, with the potential for some further funding to follow. It is considered appropriate to await the outcome of these pilots before NZC recommendations are made beyond that detailed above.

Additional income opportunities (EDPS)

- 7.35 Within the budget there are a number of areas where income is being generated through the selling of services to church schools, the cathedral and other dioceses. It should be noted that the level of income arising from the provision of surveying services to church schools is now much lower than in previous years, following changes in the level of funding made available by the Department for Education to schools in our diocese and the consequent reduction in the number of surveyors in the team. The anticipated level of income for 2024 is set out in the following table.

Service Area	Income £000	Expenditure £000
Property (Schools)	88	62
Education (Schools)	56	56
Safeguarding (Cathedral)	14	14
Digital Mapping	3	3
Total (projected)	161	135

Inflation

7.36 The August CPI inflation figure was 6.7%. A full review has been undertaken with each budget manager and inflation has only been added to those budgets where there is a clear need, i.e., those where expenditure is subject to an external price rise, or part of contract expectations. The general aim across most general expenditure budgets will be for budget holders to manage the inflationary increase within existing resources as much as possible.

Where will the money be spent?

7.37 Attached in Appendix 1 is a summary showing the areas to which the budget will be allocated.

8 Summary of main changes to budget

8.1 The proposed expenditure budget for 2024 (excluding the EPC/NZC works) is £1,014k higher than 2023. This equates to an increase of 6.5%, which is just less than the current inflationary level of 6.7%. The key elements contributing to this increase are as follows:

- Increase in stipend/NI levels £297k
- Increased cost of maintaining/improving clergy housing £325k
- Reduction in Resourcing Ministerial Education grants (£193k)
- Reallocation of contributions to stipends (income) £45K
- New lay posts (grant funded) £172k
- National Pooling (ordinands training) £28k
- Net Zero Carbon project work (grant funded) £92k
- Rural Deans Administration Grants (new) £42k
- Clergy removal costs (inflationary increase) £20k
- Clergy resettlement grants (increased numbers) £20k
- Increase in lay staff salary costs £73k
- Other miscellaneous adjustments £93k

9 Budget summary

- 9.1 The expenditure budget anticipated within the updated Finance Plan for 2024 (as agreed at the BDC meeting held on 22 May 2023) is £15.755 million. The income budget expectation was £14.058 million. On this basis the Finance Plan for 2024 therefore assumed a contribution from reserves of £1.697 million.
- 9.2 The proposed expenditure budget for 2024 is **£17.436 million**, although this includes the additional £900k allocated for EPC/NZC upgrade works to clergy housing, which brings the figure down to **£16.536 million**. This is therefore £781k higher than the Finance Plan previously assumed. This is primarily the result of the higher costs associated with maintaining clergy housing and the additional grant funded posts.
- 9.3 The proposed income budget is **£13.950 million** before any contribution from reserves is taken into account, is £108k lower than the Finance Plan assumption.
- 9.4 As a result of the above, the revised contribution required from reserves will be **£2.586 million** in 2024, which is **£889k** more than in the Finance Plan. Were BDC to recommend increases in Common Fund of 7% or 8%, the deficit would be £2.504 million or £2.423 million respectively.
- 9.5 Appendix 2 shows the summary budget. The figures in Appendix 2 assume a Common Fund increase of 6%. Paragraph 9.4 shows the impact were either of the alternative Common Fund increase options approved.

10 Risk Factors

- 10.1 When setting a budget for the following year, there are always going to be a series of factors that can affect/change the original assumptions used. Some of these will usually be within our control, but on many occasions they will not. The following sections detail the main financial risks, which are then further considered in the Contingency Planning section.

Common Fund Shortfall

- 10.2 As discussed earlier in this report, Common Fund contributions account for approximately 60% of EDBF income in any year. In 2022, 295 (2021: 269) PCCs/DCCs had a surplus and 215 (2021: 242) a deficit. Unrestricted reserves

were £32.4m (2021: £32.1m), with a further £19m (2021: £18m) in restricted reserves. On average, Common Fund contributions were equivalent to 39.9% of unrestricted income. This is the first time it has been less than 40% for a number of years (2019 = 42.6%; 2020 = 47.7% and 2021 = 42.7%).

This shows that the recovery in parish finance since the end of the pandemic is continuing and the level of unrestricted reserves remains at the same level, with an increase of £1m in restricted reserves. It should be noted that these reserves are not evenly distributed, with some parishes in a more fortunate position than others. Appendix 4 shows the summary of the data from the 2022 Return of Parish Finance.

At this stage there is a **MEDIUM** likelihood of a shortfall in excess of the 2024 target of 4%.

Participant Numbers

- 10.3 There has been a consistent fall in participant numbers of 1.7% per annum, which leads to a reduced Common Fund request and therefore a reduction in contributions that can be requested from parishes to support the provision of clergy and diocesan services. As a direct result of the pandemic, this accelerated to 6.4% in 2021 and 8.9% in 2022. We have seen a modest increase of 1.25% in 2023.

BDC needs to determine at what point further action to reduce expenditure must be taken to ensure a viable long term finance plan in the event that growth is not forthcoming.

Having seen the significant falls in 2021 and 2022 and a small increase in 2023, there is now a **LOW** likelihood that the participant numbers will fall further in 2025 and 2026.

Investment performance

- 10.4 An economic crash would clearly affect the whole of EDBF's budget, but this would certainly impact the £1.5m of income that EDBF receives each year from its investments and glebe properties.

The stock markets recovered well after the initial falls early in the pandemic, particularly where the investments were in global markets (as opposed to UK only). 2022 has seen very volatile performance, with markets reacting to the

Russian invasion of Ukraine and then the impact of the cost-of-living crisis. There was then some recovery in the second half of the year. The FTSE100 measure ended up only 0.7% down in 2022, although this belies the significant fluctuations seen in the year. The markets have remained volatile in 2023, with a further 3.7% drop in the FTSE100.

The CCLA Investment Fund has seen a Total Return of 6.28% in the last 12 months, so has performed reasonably well. The risk is always higher where sale of investments is required, which is not part of EDBF's current strategy (see Contingency Planning).

At this stage the economic future remains uncertain, although no major crash is currently envisaged, so this is a **MEDIUM** risk.

Housing market crash

- 10.5 The recent Asset Management Strategy work has led to the sale of a number of surplus clergy houses, where these were generating a lower return. An initial 13 properties have been sold in the period from 2020 to the end of 2022. Since the summer of 2020 the property market performed very strongly in the South West, but we have seen a slow-down in the market this year and have seen a modest reduction in the offer prices being received.

Work is on-going with the Archdeacons to identify further properties that are no longer required for clergy housing and can therefore be sold. The aim is to re-invest the proceeds in the CCLA Investment Fund, but some of these proceeds are likely to be required to support the budget for 2024 and to address any shortfall in 2023.

At this stage the housing market remains relatively stable, and no major crash is currently envisaged, so this is a **LOWER** risk.

Operating Budget Shortfall

- 10.6 Prior to the pandemic, EDBF had anticipated having a balanced budget from 2023, following the improved funding position associated with the two pensions schemes (clergy and lay), both of which are now in surplus. The operating deficit was previously around £0.5m per annum, which matched the level of the pension deficit contributions.

The Covid-19 pandemic then came along, the result of which has been a reduction of c15% in the number of people in our worshipping communities. This directly led to a reduction in the level of Common Fund that can be requested of approximately £1.5m per annum. The subsequent war in Ukraine and the cost-of-living crisis has increased the operational deficit to £2 - £2.5m per annum.

Assets sales have been used to support the budget in the period since 2020, with 13 surplus properties so far being sold, with further sales planned.

The level of unrestricted reserves at 31 December 2022 was £7.2m. This is approximately 50% of current expenditure, so is getting close to the minimum safe level and would only cover the existing level of operational deficits for less than 3 years. Action is required now to reduce this operational deficit.

At this stage there is a high likelihood that without significant action the current operational deficits will continue, leading to an unsustainable position, so this is a **HIGH** risk.

Cashflow position

- 10.7 EDBF is in the fortunate position of having recently sold a number of surplus properties, so the current cash position is therefore temporarily manageable. On 31 July there was approximately £1.2m in the main bank account, with a further £2.5m in the CCLA deposit account, although the operational funding position is expected to reduce by the end of December 2023 and again in 2024 and 2025.

Further property sales are planned and EDBF is forecast to have sufficient cash funds to cover any shortfall arising in 2023 and the forecast shortfalls in 2024 and 2025.

11 Contingency Planning

- 11.1 As can be seen throughout this report, action will be required in 2024 to close the current operational shortfall of c£2m per annum. To put this in context, without other measures being taken, it would require a reduction of approximately 40 stipendiary posts to bring the budget back into balance. This could include a reduction in the number of stipendiary curates.

- 11.2 The following action will therefore be taken in respect of the budget for 2025:
- Full review of the clergy deployment model for the period beyond 2024 to plan for varying levels of reduction in numbers, should this be required;
 - Full review of clergy housing to determine the long-term strategy for housing and to identify those properties that are no longer required and could be sold;
 - In addition to the 11% reduction made to EDBF lay staffing posts in November 2020, a further review for the period beyond 2024 to plan for varying levels of reduction in numbers, should this be required;
 - Real term increases in the level of Common Fund requested (and contributed). For example, a permanent increase of 25% would eliminate the operating deficit and enable the current level of stipendiary clergy to continue to be afforded;
 - Consideration of the Total Return options, to fund the significant work identified on compliance with the EPC changes and also to deliver Net Zero Carbon by 2030 (see Section 12 below); and
 - Full review of all restricted reserves to see what, if any, opportunity there is for releasing funds to support the 2025 budget.
- 11.3 There are still a number of unknown factors at this point, primarily around the level of funding that we might secure from the Diocesan Investment Programme. This could then affect the level of reductions in stipendiary clergy posts that we might need to explore. However, a full contingency plan will need to be drawn up, planning for reductions of up to 40 stipendiary clergy posts (along with other measures). The plan will need to have clear trigger points, when action must be taken. The Director of Finance will work with the Archdeacons to draw up the clergy deployment plan options, as well as with other diocesan officers to develop effective contingency plans covering all areas.
- 11.4 The full contingency plan will then need to be brought back to the Bishop's Diocesan Council, in either July or September 2024, for approval, ahead of recommending a budget to Diocesan Synod for 2025.

Total Return

- 12.1 As stated above, adopting Total Return is one option for releasing additional funds to support the budget. An initial conversation was held at the BDC

meeting in May 2023, when it was agreed that a formal proposal would be brought back to BDC in September 2023 to adopt Total Return. This proposal was approved at the September meeting.

- 12.2 Members expressed some caution, particularly given the wider economic circumstances, and noted that it would be prudent for the expenditure to be aimed at improving EDBF's asset base, rather than supporting revenue costs. This might mean releasing funding to improve the environmental and energy performance standards of clergy housing, which would enable the continuing journey towards the achievement of Net Zero Carbon objectives.
- 12.3 The adoption of Total Return will provide the £900k of funding in 2024 for the EPC/NZC upgrade works to clergy housing.

13 Reserves Policy

- 13.1 The Charity Commission no longer recommends the level of reserves that a charitable organisation should hold, with each charity now required to determine the appropriate level, based on its own needs. The previous recommendation was in the range 25 – 30% of the annual expenditure budget and this is felt to be appropriate for the Diocese.
- 13.2 The level of unrestricted reserves (at 31 December 2022) is currently slightly in excess of this range at £7.2m (41%). This follows the sale of a number of surplus properties in the last three years.
- 13.3 The budget for 2024 shows a projected deficit of **£2.586 million** (after funding the £900k on EPC/NZC upgrade works from Total Return and assuming a 6% increase in Common Fund), which will need to be funded from unrestricted reserves.

14 Approval sought

At the meeting held on 22 September 2023, BDC recommended:

- (1) That the Common Fund request per declared participant for 2024 is increased by 6%, 7% or 8% (over the 2023 figure).
- (2) The use of a 4% figure for the Common Fund shortfall for 2024.
- (3) The provision of £900k within the 2024 budget for the identified work to achieve EPC and Net Zero Carbon upgrade works. This will be funded by

releasing funds through applying the Total Return accounting principles to the Diocesan Stipends Capital Fund.

- (4) The provision of 208.5 whole time equivalent stipendiary clergy posts in the budget for 2024 (comprising 165 Mission Community post holders, 4 archdeacons and 39.5 curates).
- (5) The stipend that should be paid from 1 April 2024 to those clergy holding incumbent status posts be £30,260.
- (6) The attached budget for 2024 and indicative budgets for 2025 and 2026 (Appendix 2) to Diocesan Synod for approval.

15 Recommendation

This Synod

- a) Approves an increase the Band A equivalent Common Fund figure by 6% (or 7% or 8%).
- b) Approves the diocesan budget for 2024, and
- c) Notes the indicative budget for 2025 and 2026.

To seek clarification on any aspect of this report in advance of the meeting please contact:

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Where will the money be spent?

APPENDIX 1

Clergy and related budgets		
Budget area	2024 budget £000	2023 budget £000
Stipend	5,750	5,550
Clergy national insurance	455	451
Clergy pension	1,507	1,456
Apprenticeship levy	29	28
Clergy housing costs	2,253	1,916
Council tax	650	627
Water rates	158	177
Archdeacons' offices	103	92
University chaplains	63	57
Grants and removals	281	239
Rural Deans	45	11
Clergy Human Resources	70	62
Administration and other costs	137	107
Cranbrook	25	25
Total	11,526	10,798

Mission & Ministry		
Budget area	2024 budget £000	2023 budget £000
Vocations	22	22
Ministry selection and training	273	253
IME 4-7	89	89
National Pooling (married ordinands)	73	45
Reader training	137	137
Clergy leadership programme	93	92
Clergy conference provision	35	30
Lay training/education	53	53
Wellbeing/Pastoral care	61	61
Wedding ministry	3	3
Ecumenical relations	6	6

Mission & Ministry		
Budget area	2024 budget £000	2023 budget £000
County show	2	2
Ministry among deaf people	6	6
International links	12	12
Mustard seed grants	5	5
Mission development and support	54	52
Mission resources (stewardship) support In receipt of £18k grant funding	130	103
Children and youth advisers	63	77
Ministerial Development Reviews	4	4
Evangelism/Mission Enabler	72	90
Lay Discipleship	75	73
Anna Chaplaincies	10	10
Administration and other costs	64	67
Total Supported by £18k of grant funding	1,342	1,292

Education and Educational Chaplaincy		
Budget area	2024 budget £000	2023 budget £000
Education services now managed as a single budget area following an internal review and reorganisation	456	430
Total	456	430

Church School Buildings		
Budget area	2024 budget £000	2023 budget £000
Total	92	95

Social Justice & Creation Care		
Budget area	2024 budget £000	2022 budget £000
Creation Care In receipt of £8k grant funding	23	8
Biodiversity In receipt of £4k grant funding	12	7

Net Zero Carbon In receipt of £102k grant funding	178	55
Social Justice	29	31
Administration and other costs	16	10
Total Supported by £114k of grant funding	258	111

Central & Support Services		
Budget area	2024 budget £000	2023 budget £000
Safeguarding	164	132
Finance In receipt of £30k grant funding	267	221
Financing costs	53	55
Communications/website	125	124
Diocesan Advisory Committee	88	87
Pastoral Admin Committee	53	42
Church Building Strategy Committee	38	21
Church Building Partnership In receipt of £99k grant funding	99	-
Redundant Church buildings	24	24
People Team In receipt of £46k grant funding	123	90
Disclosure and barring service	35	36
Diocesan database	16	15
Digital mapping	24	27
Supporting Bishop's Diocesan Council	31	30
Supporting Assets Group	11	11
Supporting Diocesan Synod	18	18
Supporting General Synod	11	13
New housing areas	18	17
Acting as Custodian Trustee	16	17
Board of Finance costs	85	92
Liaison with national church	9	9
Diocesan Chancellor and Registrar	128	115
Governance and management	154	146
Administration and other costs	159	113
Total Supported by £175k of grant funding	1,749	1,475

Central & Support Services		
Budget area	2024 budget £000	2023 budget £000
Strategic Programme Management In receipt of £96k grant funding	115	-
Growing the Rural Church	5	-

Central Church costs		
Budget area	2024 budget £000	2023 budget £000
Training of ordinands	347	346
Other payments to the central church	387	386

Please note that in all of the above tables where administrative staff work directly for a service, their time is charged to that service. *‘Administration and other costs’* include each service’s share of the overhead cost associated with the offices (e.g., IT costs, heat & light, etc.) and the costs for those smaller value services not shown elsewhere.